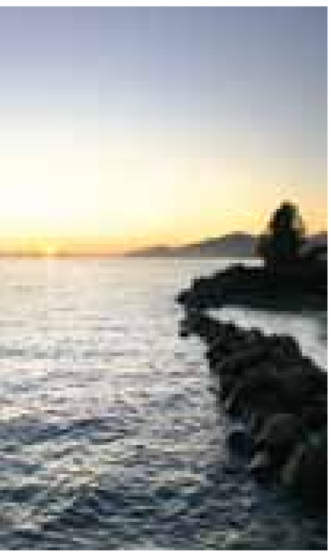
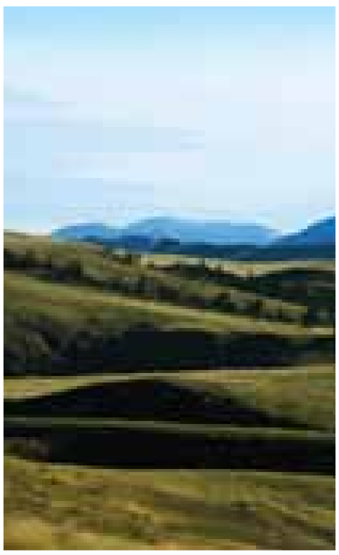
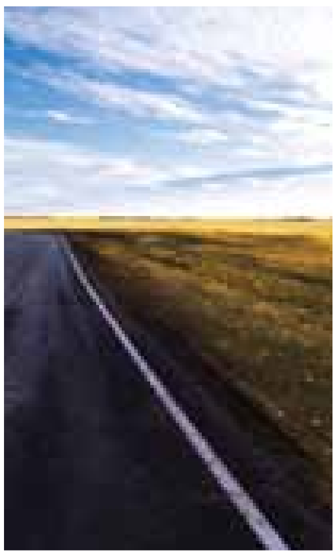
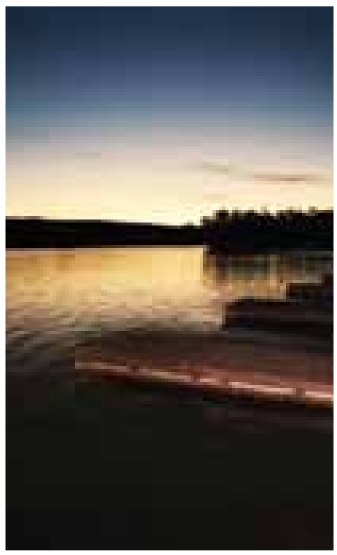
driven to deliver


parkland income fund

2009 annual report

CORPORATE PROFILE

Parkland Income Fund had another successful year in 2009, demonstrating its ability to grow through strategic acquisitions while strengthening its operations and improving its ability to serve customers. Parkland continued to broaden its geographic base during the year through important acquisitions in British Columbia and Alberta, plus an early 2010 acquisition based in Eastern Canada. We continued to grow and upgrade our Retail network of Fas Gas Plus, Race Trac Fuels and Esso service stations and improved business processes and efficiencies through the development of a company-wide Enterprise Resource Planning system.

Today, Parkland is Canada's largest national independent retail and wholesale marketer of fuel and related products and services, with operations stretching from coast to coast and a strong focus outside major urban markets. We are an active industry consolidator and multi-branded retailer with 622 service stations in Western Canada and Ontario and multi-branded commercial fuels operations in Alberta, British Columbia and the Yukon and, starting February, 2010, across Eastern Canada. We provide products ranging from gasoline and diesel to propane, lubricants, oilfield fluids and agricultural inputs plus a wide range of convenience store items.

Parkland units and convertible debentures trade on the Toronto Stock Exchange under the symbols PKI.UN and PKI.DB.

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.

driven to deliver

For Parkland Income Fund, it's all in the delivery. Delivering for our customers. Delivering for our employees. Delivering for our unitholders. With cross-Canada reach, a sound strategic focus and a dedicated team of employees, Parkland continues to deliver a strong, strategic and successful approach to growing the business:

STRONG

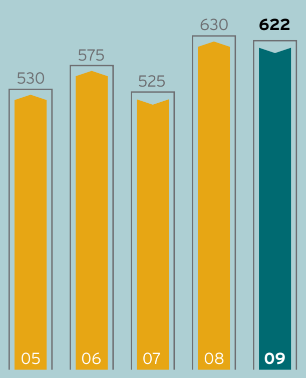
Parkland has captured a unique market niche as Canada's leading national independent fuel marketer. Parkland's strengths include our diversified business portfolio, conservative financial management, experienced leadership team and excellent reputation in the marketplace.

STRATEGIC

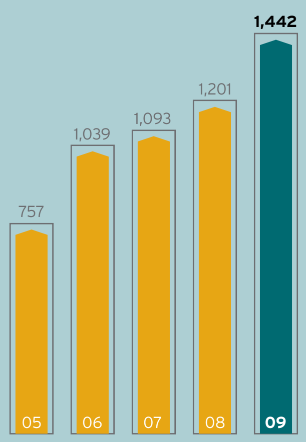
Parkland's track record demonstrates our ability to execute successful acquisitions. We focus on our base of non-urban independent fuel and related products marketing with three key strategic focus areas in mind: [1] continued growth of our marketing business through expansion and acquisition; [2] lowest net fuel acquisition costs and [3] operational effectiveness.

SUCCESSFUL

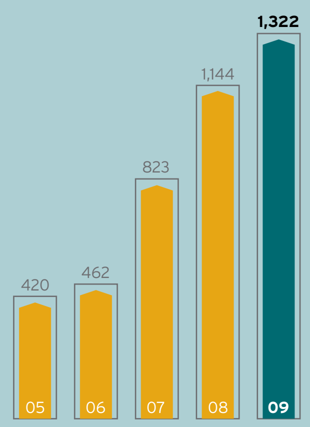
Parkland continued in 2009 to build on previous successes. Despite a volatile economic climate, Parkland delivered strong financial performance and operating results, while maintaining monthly distributions and pursuing our growth strategy with three important acquisitions.



Total Number of Parkland Sites
As at December 31, 2009



Retail Volumes
As at December 31, 2009
(millions of litres)



Commercial and Reseller Volumes
As at December 31, 2009
(millions of litres)

driven to deliver growth

The year 2009 saw Parkland deliver again on its promise to grow through carefully selected acquisitions, with the purchases of B.C.-based Columbia Fuels and Eastern Canada's Bluewave Energy (closed January 31, 2010), along with Anmart Fuels in Southern Alberta.

And that's a testament to Parkland's single-minded focus on its core mission, says Vice President of Corporate Development Stu MacPhail.

"I think it demonstrates pure commitment to being the clear leader in our business," he says. "Our mission is to be the most trusted provider of fuels and related convenience products and services in non-urban markets."

Central to that mission is a diversified approach to acquisitions. Diversifying by geography, product and type of market ensures that not only are the best opportunities seized, but that risk is managed as well.

The challenge is not finding growth opportunities, MacPhail contends. It's finding the right ones.

"Opportunities come our way that may have great cash flow potential, but don't deliver the strategic value we need to meet our vision and mission," he says. "We're very selective in how we approach acquisitions."

Looking ahead to 2010, MacPhail says Parkland will continue to look for opportunities that support its long-term strategy.

"We believe there are still significant opportunities in the Canadian market, and we're looking forward to playing an even bigger role in the industry - for the benefit of our customers, our employees, our vendors and our investors."

PRESIDENT'S MESSAGE

to our unitholders

A driven team executing on a strong game plan: these two key factors helped carry Parkland to success in 2009 despite a turbulent economic landscape.

Thanks to our employees, Parkland achieved strong operating results, continued to implement its growth strategy and completely redesigned its business processes. The year opened with a great deal of uncertainty, however by year end we began to see the first feint signs of recovery following the global economic downturn. Demand was mixed on the retail side of our operations, while sales volumes were down significantly in our commercial business.

Parkland saw this as an opportunity to strengthen our operations, solidify our team and continue to grow through strategic acquisitions. As a result, we ended the year bigger and stronger than ever, growing our position as Canada's largest independent retail and wholesale marketer of fuel and related products and services, with a strong position in non-urban areas and poised to have sales in all provinces except Newfoundland.

The acquisitions of Columbia Fuels and Anmart Fuels demonstrated our continued ability to expand through carefully selected acquisitions; and the purchase of Bluewave Energy at the end of January, 2010 added one of Canada's leading independent fuel distributors to our portfolio, extended our reach into Atlantic Canada, strengthened our position in Ontario and Western Canada and further balanced our product mix. The acquisition will drive company growth in fuel volumes and cash flow, particularly outside major urban markets, and help position Parkland as a national independent marketer with coast-to-coast coverage.

Our retail business had a stellar year. We worked hard to improve our market share, maintain strong margins and manage costs while we continued to upgrade our network of 622 retail gas stations, replacing or rebuilding locations that did not meet our standards. The commercial business had a challenging year as a result of external pressures and volumes were generally off. By streamlining operations and creating efficiencies, we have positioned the commercial business for a rebound, which we expect to occur later in 2010 or 2011.

On the Supply side of the business where we participate in refiners' margins, we were very strong in the first half but tailed off in the second half. While it's impossible to predict the future, refiners' margins have historically been cyclical, and over time we expect to see a rebound.

We emerge from 2009 as a leaner, more efficient company with a strong balance sheet and a solid foundation for further growth. We increased our borrowing capacity and continued to grow the business. Our unit price more than doubled over the year and we maintained our monthly distributions to unitholders while posting EBITDA growth.

In this environment, our strategic approach and performance focused on three areas:

Strategic growth in the marketing business: Parkland stayed on strategy with three strategic acquisitions in British Columbia, Nova Scotia and Alberta. With the acquisition of Columbia Fuels, a leading supplier of heating oil and bulk fuels on Vancouver Island and Coastal B.C. and Anmart Fuels in southern Alberta, Parkland demonstrated a continued ability to grow its marketing business profitably in challenging economic times.

Parkland also announced the $214 million acquisition of Bluewave Energy, a move that expands our footprint across Canada, adds a major branded fuel relationship with Shell and is immediately accretive to earnings and cash flow per unit. The purchase also

MICHAEL W. CHORLTON

(Left to Right) Bob Espey *Vice President, Retail;* Ken Grondin *Vice President and CFO;* Alan Crossley *Vice President, Supply and Distribution;* Mike Chorlton *President and CEO;* Stu MacPhail *Vice President, Corporate Development;* Bradley Willams *Vice President, Commercial Business Group;* Dean Mackey *Vice President, Human Resources and Administration*

makes Parkland Canada's largest national independent fuel distributor and creates a strong platform for growth through consolidation. Parkland continued to invest in organic growth, particularly in the retail network.

Operational excellence: Internally, Parkland focused on reducing costs, creating efficiencies and strengthening its leadership team. We have brought in new talent at all levels of the organization, and hired new Chief Financial Officer Ken Grondin and new Vice President of Human Resources and Administration Dean Mackey in addition to bringing in top talent at the next most senior level.

We have also been rebuilding our business processes and developing an Enterprise Resource Planning (ERP) system, which we brought online in March of 2010. The system will provide a single platform for business processes, systems, controls and operations, while bringing best business practices to our core business activities. This key investment will improve our overall operational efficiency, capitalize on synergies and set the stage for future acquisitions.

Maintaining value in our petroleum supply contracts: We're continuing to work hard to maintain value created by our petroleum supply contracts. Our growth will give us a stronger position with suppliers and greater sourcing options.

None of our successes would have been possible without the drive and dedication of the Parkland team and I'd like to personally thank each of them for helping Parkland not only thrive during a difficult economic environment, but for setting the stage for future growth and value.

Looking forward, the pace of recovery is uncertain and we must remain prepared for a host of different scenarios. We are confident there are abundant growth opportunities for Parkland to pursue. We intend to be selective, and to find the best options for growth through acquisition, consistent with our strategy of driving sustainable growth in fuel volumes and cash flow, primarily in non-urban markets, while maintaining strength in our balance sheet.

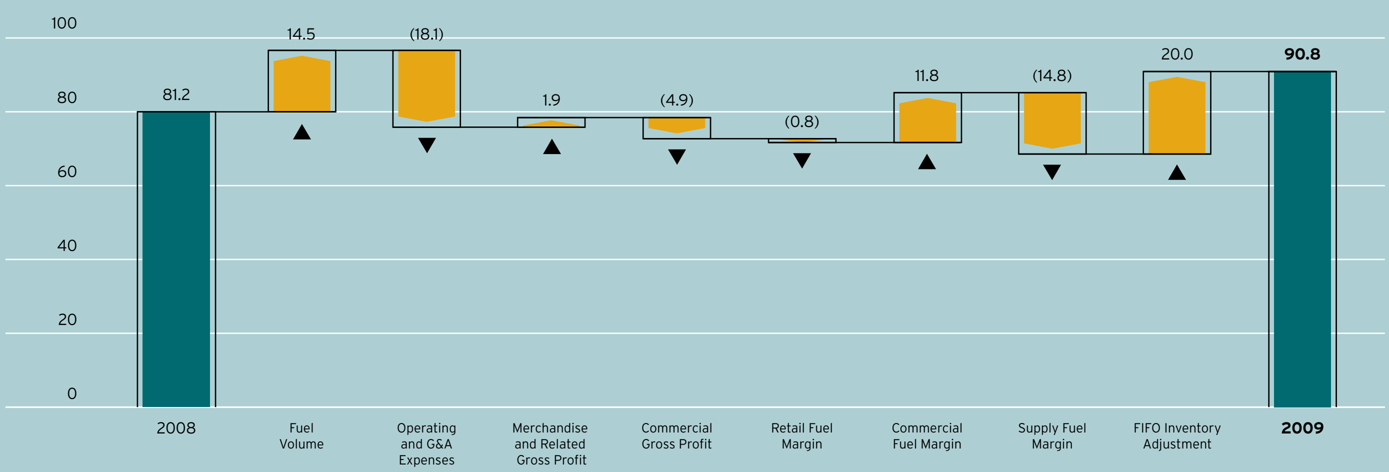
The coming year will also see Parkland focus on integrating Bluewave into our family and maintaining and improving our operational excellence across the organization. We are also developing detailed plans for trust conversion,and expect to convert to a high-yield growth company, the Parkland Fuel Corporation no later than January 2011.

All the while, we will remain driven to deliver growth, investor returns, customer value, and to living the values that have been so important to our success.

Michael W. Chorlton
President and CEO
March 12, 2010

Year Over Year Changes in EBITDA

($ millions)



CHAIRMAN'S MESSAGE

your board of directors

Parkland continued to build on its successes in 2009, executing a strategy of sustainable growth in the face of lingering economic challenges and solidifying its position as Canada's leading independent retail and wholesale fuels marketer.

Your Board of Directors is proud of Parkland's continued focus on strategic growth, and we enter 2010 poised to build the company even further. Despite a volatile economic climate, we expanded our marketing business significantly with the acquisitions of Columbia Fuels and Anmart Fuels in 2009, and the purchase of Bluewave Energy in early 2010.

As we near the end of the transition period before Canada's specified investment flow-through (SIFT) tax changes, we are well positioned for our conversion from a trust to a corporation. We have used the time before the January 2011 deadline to aggressively grow our business and enable us to maintain post-conversion dividends at a high level.

We have also utilized most of our safe harbour growth limits, and have approximately $62 million left under the normal growth guidelines for income trusts following the Bluewave Energy acquisition. As a result, we expect to be in an excellent position for conversion, which will take place by January 2011.

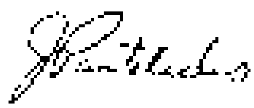
Your Board has also worked hard to establish a strong foundation for success through good corporate governance. We continue to meet new standards as they emerge and apply stringent governance principles in order to protect our unitholders' rights. For example:

- We are replacing slate voting with individual director voting for our upcoming annual meeting;
- We are also adopting a "say on pay" policy that will give unitholders a greater voice in executive compensation.

Our vision at Parkland is to be the market leader in customer loyalty, employee engagement and investor confidence. In addition to prudent financial management, we achieve this by meeting and exceeding customer expectations, giving our employees opportunities to succeed, and keeping on track with our strategy for growth.

Looking ahead, the Board will continue to drive Parkland's growth while remaining mindful of the volatile economic climate. We will apply a measured strategic approach that balances acquisitions with organic growth, and continue to leverage Parkland's expertise in efficiently integrating new acquisitions and maximizing their value for unitholders.

On behalf of the Board of Directors, I'd like to thank the entire Parkland team for their support and dedication. I am proud of what we've all accomplished and look forward to more success in the coming year.



Jim Pantelidis
Chairman, Board of Directors

2009 Performance Measures

	2009	2008	2007	2008/2009 % Change
Fuel Volume *(millions of litres)*	**2,742**	2,353	1,963	17
Merchandise Sales *($ million)*	**48.7**	61.8	64.5	(21)
Gross Margin *($ million)*	**249.1**	221.4	232.5	13
EBITDA *($ million)*	**90.8**	81.2	115.0	12
Total Distributions *($ million)*	**62.3**	63.4	90.5	(2)

driven to deliver customer service

For Chief Operating Officer Bob Espey, there's no secret to Parkland's ability to deliver customer value. It all boils down to working hard to understand their needs, and working even harder to meet them.

In the retail segment, Espey credits Parkland's success to a strategic approach that includes site upgrades, a strong loyalty program and "a relentless pursuit of execution at the site level to ensure Parkland's value proposition is consistent across all its facilities."

As part of that strategy, 80% of Parkland's retail outlets have been upgraded over 10 years, providing an environment that includes everything from clean washrooms to attentive staff. And with a loyalty program ("Litre Log") that returned over $8 million to customers in 2009 alone, Parkland has further positioned itself as an attractive alternative to the majors.

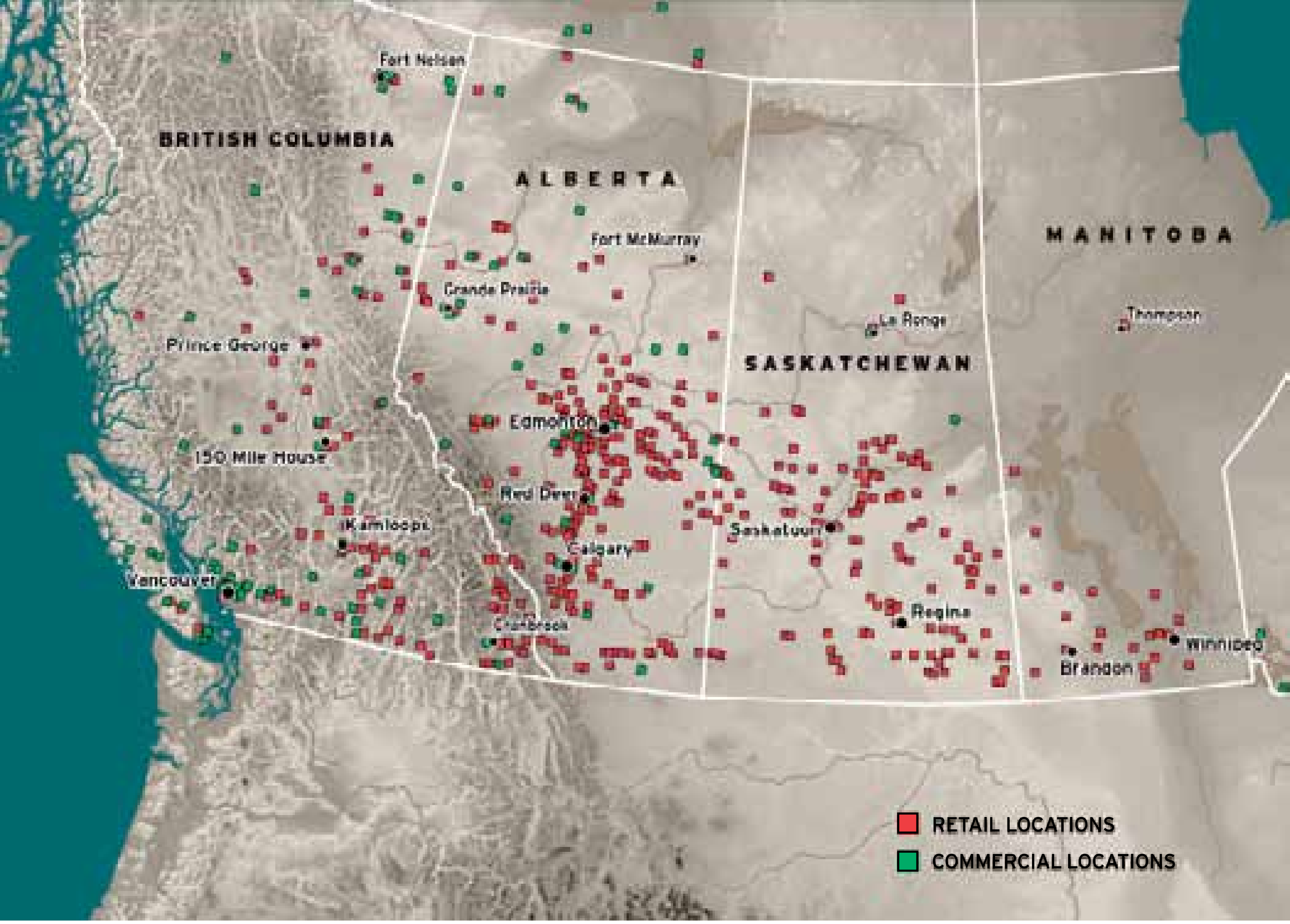
On the dealer side of the business, Parkland strives to offer the best back-office service across all its brands, and staff who work tirelessly to understand and meet their customers' needs.

The result has been impressive: net growth on the dealer side of the business and above average same-store sales growth in the retail outlets.

"We're gaining market share," Espey says, "so the strategy must be working."

FIVE YEAR SUMMARY

Years ended December 31, *($000's except volume and per Unit amounts)*	**2009**	2008	2007	2006	2005
Total assets	**474,335**	405,488	379,806	181,423	140,998
Total long-term liabilities	**137,753**	88,558	31,709	5,829	13,907
Sales volume *(millions of litres)*	**2,742**	2,353	1,963	1,501	1,177
Net sales and operating revenue	**2,020,016**	2,348,126	1,697,663	1,199,866	875,539
Cost of sales	**1,770,891**	2,126,745	1,465,155	1,061,824	779,092
Gross profit	**249,125**	221,381	232,508	138,042	96,447
Operating and direct costs	**106,903**	91,960	77,668	47,342	40,338
Marketing, general and administrative	**51,382**	48,212	39,785	20,044	14,885
EBITDA	**90,840**	81,209	115,055	70,656	41,224
Amortization	**37,878**	30,359	21,627	8,453	8,077
Refinery remediation	**420**	394	2,677	—	—
Accretion	**184**	113	61	—	—
Interest on long-term debt	**5,119**	4,831	1,676	1,044	873
Interest and accretion on convertible debentures	**633**	—	—	—	—
(Gain) loss on disposal of capital assets	**(863)**	344	275	608	727
Earnings (loss) before income taxes	**47,469**	45,168	88,739	60,551	31,547
Income tax expense (recovery)	**(1,135)**	827	8,002	975	2,055
Net earnings	**48,604**	44,341	80,737	59,576	29,492
Per Unit					
– basic	**$ 0.97**	$ 0.88	$ 1.66	$ 1.50	$ 0.75
– diluted	**$ 0.97**	$ 0.88	$ 1.64	$ 1.48	$ 0.75
Merchandise sales	**48,693**	61,780	64,538	59,624	44,970
Total distributions	**62,284**	63,416	90,518	56,171	23,872
Funds flow from operations	**88,563**	79,081	114,013	69,191	41,960
Capital expenditures	**38,628**	31,132	29,475	11,148	8,588
Maintenance capital	**6,644**	9,211	13,465	6,296	4,525
Growth capital	**31,984**	21,921	16,010	4,852	4,063



FAS GAS PLUS
Parkland is conducting an extensive upgrading 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 coming years.

FAS GAS
As Parkland's original brand, Fas Gas has developed a strong and unique position outside of major 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 fuel supply to the Esso independent dealer network in Alberta and Saskatchewan, plus parts of British Columbia and Ontario.

SUNOCO
The acquisition of Noco Energy Canada in 2008 expanded Parkland's network to include the Sunoco brand in Ontario, which we expect to re-brand in 2010 following the 2009 Suncor/Petro-Canada merger.

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.

BLUEWAVE ENERGY
In December 2009, Parkland announced it would purchase for $214 million Dartmouth, N.S.-based Bluewave Energy Limited Partnership, a national petroleum distribution company and Shell's largest branded distributor in Canada. Bluewave delivers a full slate of petroleum products including diesel fuel, gasoline, heating oil and lubricants and related products and services to a broad range of commercial, industrial and residential customers through a strong delivery network across Canada. The Bluewave acquisition closed on January 31, 2010.

COLUMBIA FUELS

In June 2009, Parkland acquired the fuel distribution business of Columbia Fuels Ltd. Headquartered in Victoria B.C. Columbia specializes in home heating oil, bulk petroleum and bio fuels and operated bulk fuel terminals on Vancouver Island and the Sunshine Coast region of British Columbia.

NEUFELD PETROLEUM AND PROPANE

Based in Grande Prairie, Alberta, Neufeld operates 14 locations in northern Alberta, northeastern British Columbia 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 July 2009, Parkland acquired Anmart Fuels (Taber) Ltd., with branches in Taber and Foremost, adding two new cardlocks and bulk delivery, and further expanding Neufeld's presence in Alberta.

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 (UPP)

UPP was acquired by Parkland in 2007 and markets fuel and lubricants to a network of commercial accounts and independent service station operators throughout British Columbia.

PARKLAND REFINING LTD.

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

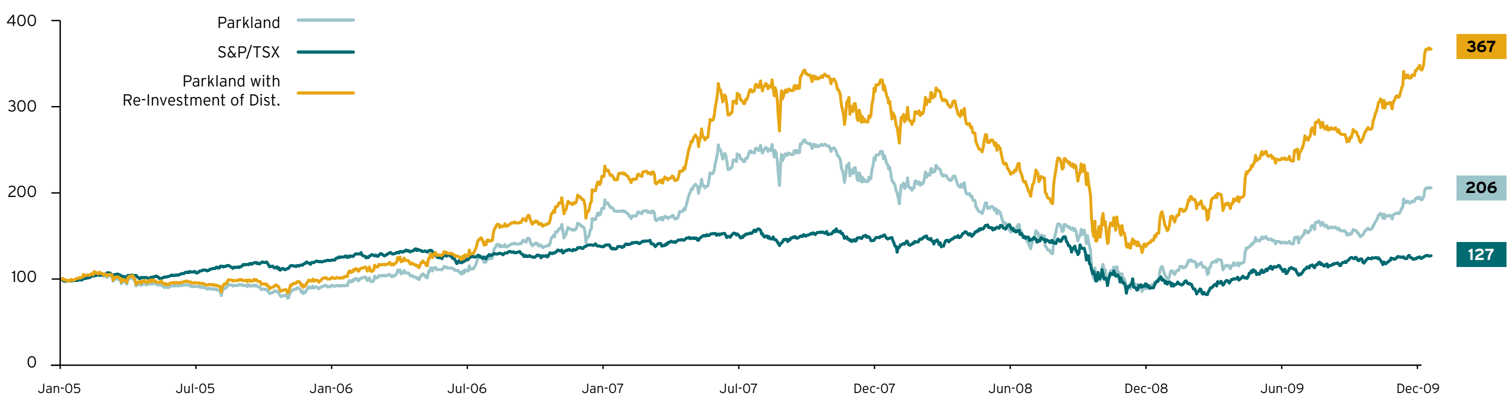
PETROHAUL AND WIEBE TRANSPORT

One of Parkland's key competitive strengths is its fleet of trucks. Our acquisitions in 2007 and 2008 (Neufeld Petroleum and Wiebe Transport) introduced additional long haul trucking operations and we have consolidated the fleets to improve service and efficiency.

driven to deliver investor returns

Parkland Income Fund Relative Performance Analysis

January 1, 2005 - December 31, 2009



A conservative balance sheet, careful planning and a prudent approach to growth: That's the formula for Parkland's consistently solid investor returns.

And the proof is in unitholders' distributions. Even in challenging economic times, Parkland has consistently delivered strong monthly distributions to its unitholders. In fact, they have never been reduced.

"We maintain a strong balance sheet, giving us the ability to weather swings in the economy and move quickly on opportunities for growth," says Chief Financial Officer Ken Grondin.

"We're strong and stable – and because of that we can protect and build value for unitholders."

The year 2009 was another success, with positive EBITDA growth despite a turbulent economy.

"In 2010, Parkland will continue to look for further growth opportunities while it builds an even more robust back-office," Grondin says.

"We'll be implementing our Enterprise Resource Planning system, which will streamline processes and should make us much more nimble in integrating companies we acquire."

REVIEW OF OPERATIONS

Our Retail Business

Parkland's fuel marketing strategy continues to build upon four key principles:

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

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 Plus, Fas Gas, Short Stop and Race Trac. We also operate retail branded distributorships under the Esso and Sunoco brands;

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

Organizational capability – focus on training, technology and values-based leadership across the company, while maintaining a low cost operating model. To this end, our new Enterprise Resources Planning and Point of Sale systems will streamline business processes, improve management information and increase efficiencies across the organization.

FAS GAS PLUS

The Fas Gas Plus brand is the largest segment of our retail offering. Over the past decade, we have built or upgraded our sites to provide consistent in-store merchandise offering either with a 2,000 to 2,500 square-foot Short Stop convenience store or a smaller Short Stop Express store. The sites are either company-operated with salaried managers and staff so that Parkland enjoys full retail fuel and merchandise profit or operated by a commission operator who supplies all on-site labour in exchange for a commission based on fuel sales volume and pays a monthly rent calculated as a percentage of merchandise sales. Currently Parkland is moving away from the company-operated model towards commission operations as these entrepreneur run sites generate greater net profit with lower working capital investment.

FAS GAS

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 46 sites remaining in our network where upgrading is still to come or where property lease terms or market potential prevent further investment and these remain under the Fas Gas brand.

RACE TRAC

The Race Trac brand is used for sites 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.

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 to include Alberta, Saskatchewan and portions of British Columbia and Ontario. We currently serve 256 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 by organic growth and potentially through further acquisitions.

SUNOCO

The 2008 acquisition of Noco Energy also added the Sunoco retail brand to our lineup. We added 18 independently owned and operated Sunoco branded locations in Ontario, however this brand will be phased out as a result of the Petro-Canada and Suncor merger. We have a program in place to migrate these dealers to our other brands. We anticipate minimal fuel volume loss.

Our Commercial Business

The commercial business began 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 and was complementary to our Yukon heating oil supply business, Great Northern Oil. Today, Parkland's commercial business provides customers across the country with products ranging from propane and bulk fuels to home heating products, lubricants, agricultural inputs and oilfield fluids.

In 2007, Parkland decided to significantly grow in the commercial area with the acquisition of five complementary businesses serving commercial and

driven to deliver values

How does Parkland ensure that as it continues to grow, it retains the special culture that's helped make it a success?

Step one is to build a strong set of values into every level of the organization and into everything it does, according to President and Chief Executive Officer Mike Chorlton.

"As we drive to achieve our key strategic objectives, we always do so within the context of our core values," he says. "It's important we never lose sight of our commitment to our stakeholders and to each other."

These core values - Integrity, People, Teamwork and Success – impact everything Parkland does by helping to ensure every job is approached with honesty, respect and professionalism. They not only speak to Parkland's mission of being the most trusted source for fuel and related products in their markets, but also provide guidance on how to meet that goal on a daily basis.

To that end, Parkland's values call on its employees to "say what we will do and do what we say". They also call on Parkland's leaders to set challenging goals for all its employees, foster innovation and reward initiative.

"Values-based leadership is an expectation for all of our managers and executives, and we try to make it part of our day-to-day processes" Chorlton says. "It unifies us as an organization and it makes us feel good to know that we're doing the right things in the right way."

industrial customers in northern Alberta and British Columbia. The catalyst was the 2007 $124 million acquisition of Neufeld Petroleum and Propane based in Grande Prairie, Alberta. 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). Parkland also acquired the bulk fuel and lubricants business of United Petroleum Products Inc. (UPP) of Burnaby, British Columbia in 2007. UPP supplies bulk fuel and lubricants into areas of British Columbia not accessible to the Neufeld branches, further extending Parkland's reach.

In 2008, we continued to build and consolidate the commercial businesses to gain synergies, extend product lines and expand our footprint. We lowered our fuel acquisition costs, extended the UPP 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.

In 2009, we further expanded our commercial business with the acquisitions of the fuel distribution business of Columbia Fuels Ltd., a Victoria B.C. fuel distribution company specializing in home heating oil, bulk petroleum and biofuels that also operates bulk fuel terminals on Vancouver Island and the Sunshine Coast region of British Columbia. Also, the purchase of Anmart Fuels in southern Alberta added two new cardlock locations and expanded the company's bulk delivery network in Southern Alberta.

As of December 31, 2009, 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 in conventional oil production followed by agriculture, oil and gas exploration, residential, forestry and heavy oil production.

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.

In December 2009, Parkland announced the acquisition of Bluewave Energy which was closed on January 31, 2010. Bluewave effectively doubles the size of the Parkland Commercial business and extends its reach to all regions of Canada, and diversifies its customer base with a greater proportion of heating oil and broader customer mix.

Our commercial business 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 retail 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 four major refiners in western and central Canada. We maintain lifting rights at most western and central Canadian refineries and primary terminals which provide the flexibility we need to best serve our customers.

Parkland enjoys long-term supply contracts that provide favorable product cost. Fuel is delivered to our service stations by a combination of our own truck fleet 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 transportation 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.

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, as we continue to pursue development opportunities.

Health, Safety and Environment

Parkland takes seriously its obligation to protect the health and safety of its employees, customers, neighbours and suppliers; and is committed to maintaining responsible environmental controls.

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 completing an 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 above ground 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 2009 as part of a program to audit these businesses every year.

Code of Conduct

Parkland has established Conflict of Interest Guidelines and a Code of Conduct. 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 positive 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.

Our Fas Gas Plus Community Care Sponsorship Program is 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 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.

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

BOARD OF DIRECTORS

John F. Bechtold Mr. Bechtold has over 35 years 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 Parex Resources Inc. He holds BSC (Honours) Chemical Engineering and MSC Petroleum Reservoir Engineering degrees. Mr. Bechtold has served on Parkland's Board since August 10, 2006 and is a member of the Compensation and Corporate Governance Committee and is also a member of the Petroleum Products Supply Advisory 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 each of Penn West Energy Trust, Grande Cache Coal Corporation and Black Diamond Group Limited. Mr. Brawn also serves as a director of ATB Financial. Effective January 1, 2009, he was appointed Chairman of the Alberta Economic Development Authority and a member of the Premier's Council 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, a $440 million green-field investment in an ammonia/urea complex. 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 Bronco Energy Ltd. and Export Development Canada. He serves as a director for Oncolytics Biotech Inc., Russel Metals Inc. and Liquor Stores Income Fund. He is a director of the following private companies: Elluminate Inc. and the Armstrong Group. He is a member of the TD Energy Advisory Board. He is the Chairman of the Canada West Foundation and a director of the Norlien Foundation. Mr. Dinning has a Bachelor of Commerce degree and a Masters degree in Public Administration, both from Queen's University. He was awarded an honorary doctorate from the University of Calgary. He is a graduate of the Institute of Corporate Directors Education Program. Mr. Dinning was appointed as a Trustee on August 19, 2004 and was elected as 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 a director of Petrolia Inc. 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 and also serves as a member of Petroleum Products Supply Advisory Committee.

Kris Matthews Ms. Matthews is Managing Partner of Matthews Group LLP, a public accounting firm specializing in entrepreneurial companies. She has over 25 years of experience in public practice. She is a past-Chair of CMA Alberta and the CMA Alberta Governance Committee; she also represented Alberta as a National Board Member. Her service to the community has included board membership of a Business Revitalization Zone and various social or charitable organizations; she is a past-Chair of the Famous Five Foundation. She has served or serves on the boards of various public and private companies. She is also currently on the board of Defence Construction Canada. She has her designation of ICD.D from the Institute of Corporate Directors. Ms. Matthews was awarded her Fellowship (FCMA) by the Society of Management Accountants of Canada for service to her profession and community in 2002. She 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. He also serves on the Board of each of RONA Inc., Industrial Alliance Insurance and Financial Services Inc. and Equinox Minerals Limited. 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 has served on Parkland's Board since September 7, 1999 and he is Chairman of Parkland's Board and a member of the Audit Committee. He also serves as Chair of the Petroleum Products Supply Advisory Committee.

Ron Rogers Mr. Rogers has over 35 years experience in various financial and operating 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. He has also attended post graduate seminars at North Western and Harvard Universities. Mr. Rogers is currently a member of the board of each of Corus Entertainment and Transforce Inc. Mr. Rogers previously served on the boards of The Brick Furniture Company and Pizza Pizza Royalty Fund. 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.

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

CORPORATE INFORMATION

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Annual General Meeting
Monday, May 3, 2010
2:00 p.m. at the Red Deer Lodge
Hotel & Convention Centre
4311 - 49th Avenue
Red Deer, Alberta

Banker
HSBC Bank Canada
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Stock Exchange Listing
Toronto Stock Exchange
Trading Symbols: PKI.UN, PKI.DB

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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

Kenneth J. Grondin
Senior Vice President, CFO and
Corporate Secretary

Philip L.M. Szabo
Corporate Controller

Shaun M. Peesker
Treasurer

R.G. Dean Mackey
Chief Privacy Officer

Wholly Owned Subsidiaries
0851738 B.C. Ltd.
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

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4919 - 59th Street
Red Deer, Alberta T4N 6C9

www.parkland.ca

driven to deliver

parkland income fund

2009 summary report

CORPORATE PROFILE

Parkland Income Fund had another successful year in 2009, demonstrating its ability to grow through strategic acquisitions while strengthening its operations and improving its ability to serve customers. Parkland continued to broaden its geographic base during the year through important acquisitions in British Columbia and Alberta, plus an early 2010 acquisition based in Eastern Canada. We continued to grow and upgrade our Retail network of Fas Gas Plus, Race Trac Fuels and Esso service stations and improved business processes and efficiencies through the development of a company-wide Enterprise Resource Planning system.

Today, Parkland is Canada's largest national independent retail and wholesale marketer of fuel and related products and services, with operations stretching from coast to coast and a strong focus outside major urban markets. We are an active industry consolidator and multi-branded retailer with 622 service stations in Western Canada and Ontario and multi-branded commercial fuels operations in Alberta, British Columbia and the Yukon and, starting February, 2010, across Eastern Canada. We provide products ranging from gasoline and diesel to propane, lubricants, oilfield fluids and agricultural inputs plus a wide range of convenience store items.

Parkland units and convertible debentures trade on the Toronto Stock Exchange under the symbols PKI.UN and PKI.DB.

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, *($000's except volume and per Unit amounts)*	**2009**	2008	2007	2006	2005
Total assets	**474,335**	405,488	379,806	181,423	140,998
Total long-term liabilities	**137,753**	88,558	31,709	5,829	13,907
Sales volume (millions of litres)	**2,742**	2,353	1,963	1,501	1,177
Net sales and operating revenue	**2,020,016**	2,348,126	1,697,663	1,199,866	875,539
Cost of sales	**1,770,891**	2,126,745	1,465,155	1,061,824	779,092
Gross profit	**249,125**	221,381	232,508	138,042	96,447
Operating and direct costs	**106,903**	91,960	77,668	47,342	40,338
Marketing, general and administrative	**51,382**	48,212	39,785	20,044	14,885
EBITDA	**90,840**	81,209	115,055	70,656	41,224
Amortization	**37,878**	30,359	21,627	8,453	8,077
Refinery remediation	**420**	394	2,677	—	—
Accretion	**184**	113	61	—	—
Interest on long-term debt	**5,119**	4,831	1,676	1,044	873
Interest and accretion on convertible debentures	**633**	—	—	—	—
(Gain) loss on disposal of capital assets	**(863)**	344	275	608	727
Earnings (loss) before income taxes	**47,469**	45,168	88,739	60,551	31,547
Income tax expense (recovery)	**(1,135)**	827	8,002	975	2,055
Net earnings	**48,604**	44,341	80,737	59,576	29,492
Per Unit					
— basic	**$ 0.97**	$ 0.88	$ 1.66	$ 1.50	$ 0.75
— diluted	**$ 0.97**	$ 0.88	$ 1.64	$ 1.48	$ 0.75
Merchandise sales	**48,693**	61,780	64,538	59,624	44,970
Total distributions	**62,284**	63,416	90,518	56,171	23,872
Funds flow from operations	**88,563**	79,081	114,013	69,191	41,960
Capital expenditures	**38,628**	31,132	29,475	11,148	8,588
Maintenance capital	**6,644**	9,211	13,465	6,296	4,525
Growth capital	**31,984**	21,921	16,010	4,852	4,063

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and twelve months ended December 31, 2009
The information in this document is current as of March 2, 2010

Introduction

This MD&A provides a comparison of Parkland Income Fund's performance for its three and twelve month periods ended December 31, 2009 with the three and twelve month periods ended December 31, 2008 and it reviews Parkland's financial position as at December 31, 2009. It also includes discussion of Parkland's affairs up to March 2, 2010. 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 2009 Annual Report, Annual Information Form, Management Information Circular and Proxy, 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 **Business Risks** at the end of this MD&A and in the 2009 Annual Report 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.

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 outside of 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 proposition targets 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 strives to offer 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.

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 Plus, Fas Gas and Race Trac, allow us to target different customer segments generally in non-urban areas. Parkland 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. Parkland expects to transition these Sunoco sites to other brands in the upcoming year as a result of the 2009 Suncor-Petro-Canada merger.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Retail Business Unit serves the motoring public through 622 retail stations in its marketing network, with 12 in the Yukon Territory, 3 in the Northwest Territories, 99 in BC, 275 in Alberta, 130 in Saskatchewan, 23 in Manitoba and 80 in Ontario.

This business is performing well in an uncertain market environment which featured increased same store retail sales and margins over 2008. 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 operated include: Parkland operated or corporate stations, which are managed and staffed by Parkland; commission operated stations, which are managed by independent operators who provide staff in exchange for a commission on fuel volumes sold, is primarily responsible for any ancillary business at the site and pays rent to Parkland based on a percentage of non-fuel sales revenue; and independent dealer sites, which are 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, 2009.

	Fas Gas Plus	Fas Gas	Race Trac	Esso	Sunoco	Total
Parkland operated and commission operated locations	95	21	4	22	—	142
Independent dealer operated	43	25	138	256	18	480
Total	**138**	**46**	**142**	**278**	**18**	**622**

Fuel products sold through the network of service stations include gasoline and diesel fuel as well as propane at selected sites. Parkland's strives 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 outside of 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 recent entrants such as grocery store 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 2009, 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 2009, Parkland expanded its new store design, introduced in Lethbridge, Alberta in 2007, to another twelve locations and has plans to continue to retrofit existing locations as part of its growth capital plan and to incorporate the new site design into all new locations. The Fas Gas Plus brand brings consumers an urban offering to outside of urban markets through upgraded locations.

SHORT STOP

Parkland operates its convenience store business under the brand Short Stop Food Stores. As at December 31, 2009, there were 45 Short Stop and 28 Short Stop Express convenience stores at sites that have Fas Gas Plus fuel stations with an additional 21 convenience stores under the Fas Gas Plus brand. 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, Ontario and the Northwest Territories.

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. These sites will be re-branded in the year ahead as a result of the 2009 merger of Suncor and Petro-Canada.

Commercial

Parkland operates a multi branded commercial, industrial business serving customers with bulk fuel, propane, heating oil, lubricants, agricultural inputs, oilfield fluids and other related products and services. In 2009 it was focused on Alberta, British Columbia and the Yukon, however with the acquisition of Bluewave Energy in January 2010, it has achieved national coverage.

Parkland continued to build its commercial business by completing two more commercial acquisitions in 2009; Columbia Fuels in June 2009 and Anmart Fuels in July 2009. These acquisitions expand Parkland's offering of branded and unbranded products and services in Alberta and British Columbia. Of greatest significance, Columbia Fuels provides home heating oil services in British Columbia (primarily on Vancouver Island) and bulk fuel and cardlock services to commercial customers. Emphasis in the commercial market (including home heating oil) is on strong customer service and reliable 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 customers with a more comprehensive service and product offering. On December 31, 2009 Parkland had 29 commercial branch locations situated in Alberta and British Columbia.

On January 31, 2010 Parkland completed the business purchase of Bluewave Energy (Bluewave) based in Dartmouth, Nova Scotia. Bluewave is a national petroleum distribution company and Shell's largest branded distributor in Canada. Bluewave delivers a full slate of petroleum products including diesel fuel, gasoline, heating oil and lubricants to a broad range of commercial, industrial and residential customers across Canada. Parkland's acquisition of Bluewave adds a fleet of 185 fuel delivery trucks and 48 new branch locations across Canada.

Parkland markets under the following brands:

NEUFELD PETROLEUM AND PROPANE (NPP)

NPP markets bulk fuels, propane, lubricants, agricultural inputs and oilfield fluids in Alberta and Northern British Columbia. It is a branded Petro-Canada distributor in the Grande Prairie and High Level Alberta area.

MANAGEMENT'S DISCUSSION AND ANALYSIS

UNITED PETROLEUM (UPP)

UPP markets bulk fuels and lubricants across British Columbia. It is a distributor of Conoco/Phillips lubricants and operates Esso branded cardlocks.

COLUMBIA FUELS (CFI)

CFI markets heating oil, bulk fuels and lubricants plus related products and services on Vancouver Island and the Sunshine Coast of British Columbia.

GREAT NORTHERN OIL (GNO)

GNO markets heating oil and bulk fuels in the Yukon Territory and facilitates supply to Parkland's retail business in the Yukon.

BLUEWAVE ENERGY (BLUEWAVE)

Bluewave markets heating oil, bulk fuels and lubricants, featuring Shell products in Atlantic, Central and Western Canada.

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 slowly recover after 2008 and 2009 cutbacks. 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, British Columbia and the Yukon Territory. Parkland has participated in this market segment for a number of years and regularly monitors and reviews the financial stability of its customers.

CARDLOCK

Parkland markets fuel through 42 cardlock facilities. These cardlock facilities are operated under various brands, including United Petroleum, Esso, Race Trac, Columbia, Petro-Canada and Neufeld and Bluewave starting in February 2010.

Supply & Distribution

Parkland's Supply and Distribution division is responsible for managing the purchasing, resale and distribution of fuel for Parkland's retail and commercial business. Fuel contracts and pricing are maintained with the major oil companies including minimum volume limits for certain agreements. Supply and Distribution staff schedule and coordinate the pick-up of fuel from the refineries by either Parkland carriers or by third party wholesale customers that pick-up the fuel directly from the refinery. Parkland maintains an internal trucking business to distribute fuel, propane, anhydrous ammonia and other products internally. The trucking business offers superior service to Parkland sites. Distribution of the fuel is scheduled to each Parkland retail and commercial location based on consumption and demand requirements. Supply and Distribution also manages the use of the Bowden refinery and fuel storage facility.

Human Resources

Parkland had approximately 1,200 employees at December 31, 2009 increasing to 1,600 after the Bluewave acquisition, including 200 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 continued its aggressive recruitment and professional development program in 2009 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 2010.

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 for distribution 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, 2009**	Three months ended December 31, 2008
Cash flows from operating activities	**3,976**	38,180
Less: Total capital expenditures and intangibles	**(16,640)**	(14,615)
Standardized distributable cash flow *(1)*	**(12,664)**	23,565
Add back (deduct):		
Growth capital expenditures and intangibles	**14,457**	11,131
Proceeds on disposal of capital items	**2,558**	78
Change in non-cash working capital	**10,373**	(17,128)
Distributable cash flow	**14,724**	17,646
Distributions	**15,059**	15,882
Distribution payout ratio	**102%**	90%

	Year ended **December 31, 2009**	Year ended December 31, 2008
Cash flows from operating activities	**112,392**	71,617
Less: Total capital expenditures and intangibles	**(43,590)**	(31,935)
Standardized distributable cash flow *(1)*	**68,802**	39,682
Add back (deduct):		
Growth capital expenditures and intangibles	**31,984**	21,921
Proceeds on disposal of capital items	**4,962**	803
Change in non-cash working capital	**(24,109)**	7,464
Distributable cash flow	**81,639**	69,870
Distributions	**62,284**	63,416
Distribution payout ratio	**76%**	91%

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

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 including intangible assets, in addition to allowing for the proceeds received from the sale of capital items.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Maintenance Capital 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 of productive capacity. Parkland defines its productive capacity as volume of fuel and propane sold, volume of convenience store sales, volume of lubricants sales, agricultural inputs and delivery capacity. The adjustment for maintenance capital in the calculation of standardized distributable cash is capital expenditures during the period excluding the cost of any growth 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 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 flow. 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 was less than cash distributions in the fourth quarter by 2% but exceeded cash distributions for the year ended December 31, 2009. The distribution payout ratio for 2009 was 76% compared to 91% in 2008. 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 the current outlook 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, 2009**	Three months ended December 31, 2008
Cash flows from operating activities	**3,976**	38,180
Net earnings	**4,478**	10,053
EBITDA *(1)*	**13,698**	25,072
Distributions	**15,059**	15,882
Excess (shortage) of cash flows from operating activities relative to distributions	**(11,083)**	22,298
Excess (shortage) of cash flows from net earnings relative to distributions	**(10,581)**	(5,829)
Excess (shortage) of cash flows from EBITDA relative to distributions	**(1,361)**	9,190

	Year ended **December 31, 2009**	Year ended December 31, 2008
Cash flows from operating activities	**112,392**	71,617
Net earnings	**48,604**	44,341
EBITDA *(1)*	**90,840**	81,209
Distributions	**62,284**	63,416
Excess (shortage) of cash flows from operating activities relative to distributions	**50,108**	8,201
Excess (shortage) of cash flows from net earnings relative to distributions	**(13,680)**	(19,075)
Excess (shortage) of cash flows from EBITDA relative to distributions	**28,556**	17,793

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

Net earnings include 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 have been adequate to fund cash distributions on an annual basis.

Consolidated Highlights

(in millions of Canadian dollars except volume and per Unit amounts)	Three months ended **December 31, 2009**	Three months ended December 31, 2008	% Change
Fuel volume (millions of litres)	**728**	664	10
Net sales and operating revenues	**542.4**	524.5	3
Gross profit	**56.5**	65.4	(14)
Gross margin	**10.4%**	12.5%	
Operating and direct costs	**28.9**	26.9	7
Marketing, general and administrative	**13.9**	13.4	4
Income before income taxes	**2.1**	13.8	(85)
Income tax (recovery) expense	**(2.3)**	3.8	
Net earnings	**4.5**	10.1	(55)
EBITDA *(1)*	**13.7**	25.1	(45)
Earnings per Unit - basic	**$ 0.09**	$ 0.20	
Earnings per Unit - diluted	**$ 0.09**	$ 0.20	
Distributable cash flow *(2)*	**14.7**	17.6	(16)
Distributions	**15.1**	15.9	(5)
Distribution payout ratio	**102%**	90%	

	Year ended **December 31, 2009**	Year ended December 31, 2008	% Change
Fuel volume (millions of litres)	**2,742**	2,353	17
Net sales and operating revenues	**2,020.0**	2,348.1	(14)
Gross profit	**249.1**	221.4	13
Gross margin	**12.3%**	9.4%	
Operating and direct costs	**106.9**	92.0	16
Marketing, general and administrative	**51.4**	48.2	7
Income before income taxes	**47.5**	45.2	5
Income tax (recovery) expense	**(1.1)**	0.8	
Net earnings	**48.6**	44.3	10
EBITDA *(1)*	**90.8**	81.2	12
Earnings per Unit - basic	**$ 0.97**	$ 0.88	
Earnings per Unit - diluted	**$ 0.97**	$ 0.88	
Distributable cash flow *(2)*	**81.6**	69.9	17
Distributions	**62.3**	63.4	(2)
Distribution payout ratio	**76%**	91%	

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

(2) Please see Distributable Cash Flow reconciliation table in the MD&A

MANAGEMENT'S DISCUSSION AND ANALYSIS

Three Months Ended December 31, 2009

The financial highlights for the fourth quarter of 2009 are as follows:

- Quarterly fuel sales volume of 728 million litres, up 10% from 664 million litres the prior year.
- Q4 EBITDA of $13.7 million, down 45% from 2008, 2009 EBITDA of $90.8 million, up 12% or $9.6 million from 2008.
- Distribution payout ratio 102% for the quarter and 76% for all of 2009.
- Strong contribution from retail fuel sales.
- Successful issuance of $97.75 million of convertible debentures at 6.5% coupon and 30% conversion premium.
- Announcement of agreement to purchase Bluewave Energy ("Bluewave") with January 31, 2010 closing.
- Intention to convert from a Trust to a Corporation by January 2011 with plans to become a high-yield growth Company with an expected dividend between 75% and 110% of the current level of the Fund's annual distribution ($1.26 per unit).

On December 21, 2009 Parkland announced reaching an agreement to acquire 100% of the business of Bluewave for $214 million (subject to closing adjustments related to working capital). The Bluewave acquisition was completed on January 31, 2010 after receiving satisfactory approval from the Competition Bureau regarding the transaction. In 2009 Bluewave had fuel sales volume of 645 million litres and normalized EBITDA of over $34 million.

FUEL VOLUMES

Gasoline, diesel and propane volumes were strong with total sales of 728 million litres in the quarter ended December 31, 2009, an increase of 10% from 664 million litres for the same period in 2008. The increase resulted primarily from the acquisitions completed over the past year.

Diesel demand remained weak through 2009. Refiners' margins for gasoline and diesel have declined from the first quarter of 2009 levels and remain at the low end of seasonal norms.

Net sales and operating revenue for the three month period ended December 31, 2009 was $542.4 million, up 3% from $524.5 million during the same period last year. Fuel marketing revenue increased 6% and commercial sales decreased 6% compared to the same three month period in 2008. The increase in fuel marketing revenues is primarily due to a 9% increase in fuel volumes and an approximate 3% decrease in price compared to the fourth quarter of 2008. The cost of fuel decreased 2% during the quarter compared to the same quarter in 2008, contributing to the 6% decrease in fuel gross profit.

In addition to the retail margins for gasoline and diesel, Parkland participates in refiners' margins for a significant portion of its supply volumes. In the fourth quarter, contribution from this participation declined approximately $18.9 from the comparable period in 2008 when refiners' margins were unusually high for a fourth quarter. The contribution from this margin category has been highly variable over the past three years as it produced record results in 2007, and was unseasonably high in the fourth quarter of 2008 and the first quarter of 2009. Gross profit on Retail fuel sales to consumer declined in the current quarter $7.2 million from the prior year due to 2008 annualized rebate adjustments and slight declines in cent per litre gross margins versus 2008. As previously disclosed in the fourth quarter of 2008, the Fund received a non-recurring contract cancellation fee of $5.0 million, and there was no such fee in the fourth quarter of 2009.

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 four business segments:

(in millions of Canadian dollars)	Three months ended **December 31, 2009**	Three months ended December 31, 2008	% Change
Fuel Marketing Segment			
Net sales	**505.1**	474.8	6
Cost of sales	**465.8**	432.9	8
Gross profit	**39.3**	41.9	(6)
Gross margin	**7.8%**	8.8%	
Convenience Store Merchandise Segment			
Net sales	**8.6**	15.0	(43)
Cost of sales	**6.4**	11.2	(43)
Gross profit	**2.2**	3.8	(42)
Gross margin	**25.6%**	25.3%	
Commercial Segment			
Net sales	**22.1**	23.5	(6)
Cost of sales	**13.7**	15.1	(9)
Gross profit	**8.4**	8.4	—
Gross margin	**38.0%**	35.7%	
Other Segment			
Net sales	**6.6**	11.3	(42)
Cost of sales	**—**	—	—
Gross profit	**6.6**	11.3	(42)
Gross margin	**100.0%**	100.0%	
Gross Profit Sources			
Total gross profit	**56.5**	65.4	(14)
Less:			
Convenience store gross profit	**2.2**	3.8	(42)
Gross profit on commercial sales	**8.3**	8.4	(1)
Other revenue included in gross profit	**6.6**	11.3	(42)
Fuel gross profit	**39.4**	41.9	(6)
Cents per litre	**$ 0.054**	$ 0.063	(14)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Convenience store merchandise sales decreased 43% during the three month period ended December 31 compared to 2008. 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 and gross profit in the Convenience Store Merchandise segment but increasing variable rental income, which is included in the Fuel Marketing segment as a reduction to operating and direct costs.

Total cost of sales for the quarter ended December 31, 2009 was $485.9 million, up 6% from $459.2 million a year earlier. Fuel volumes were up 9.6% in the quarter over the previous year while fuel costs on a cents per litre basis were down almost 2%. The Commercial segment experienced a 9% decrease in the cost of sales compared to the same period in 2008 resulting in gross margin increasing to 38.0% from 35.7% in the prior year.

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 fluctuation on gasoline inventories held by Parkland. Parkland's fuel inventory includes 30 million litres of gasoline that is held by a major supplier in storage in Edmonton plus inventory on hand at Parkland locations or in transit. With the marginal increase of crude oil costs in the fourth quarter and the corresponding increase in gasoline costs during the same period the revaluation of this inventory in the fourth quarter of 2009 resulted in an increase in fuel margins of $1.2 million. For the year ended December 31, 2009 Parkland recorded a cumulative FIFO gain of $7.9 million compared to a loss of $12.1 million in 2008.

OPERATING EXPENSES

Operating and direct costs were $28.9 million in the fourth quarter compared to $26.9 million for the same period in 2008. This increase is driven by the acquisitions of Columbia Fuels and Anmart Fuels and the corresponding overhead cost increases.

Marketing, general and administrative expenses were $13.9 million in the fourth quarter compared to $13.4 million for the same period in 2008.

INTEREST ON LONG-TERM DEBT

Interest on long-term debt was $1.4 million in the fourth quarter and consistent with the same period in 2008.

INTEREST AND ACCRETION ON CONVERTIBLE DEBENTURES

Interest and accretion on convertible debentures during the fourth quarter was $0.6 million. In 2009, approximately one month of interest on $97.8 million convertible debentures was incurred in addition to a one month accretion of deferred financing expenses on the convertible debt. In 2008, there were no convertible debentures.

INCOME TAX EXPENSE

An income tax recovery of $2.3 million was incurred in the fourth quarter compared to a $3.8 million expense for the same period in 2008.

EARNINGS

Earnings before income taxes in the fourth quarter of 2009 was $2.1 million, down 85% from $13.8 million a year earlier. Net earnings in the fourth quarter of 2009 was $4.5 million, down 55% from $10.1 million for the same period in 2008.

EBITDA for the fourth quarter of 2009 was $13.7 million, down 45% from $25.1 million in 2008. The decrease in EBITDA from 2008 is explained by the $8.9 million decrease in gross profit combined with an increase of $2.5 million in operating and direct costs and marketing, general and administrative expenses over 2008.

CAPITAL ASSETS AND AMORTIZATION

Amortization expense in the fourth quarter of 2009 was $9.8 million, up from $9.1 million a year earlier. During the fourth quarter of 2009, the Fund expended $14.1 million (2008 - $14.5 million) in net capital investments, of which maintenance capital net of proceeds on sale of property plant and equipment resulted in a net cash recovery of $0.3 million (2008 - $3.4 million net expenditure) and $14.5 million (2008 - $11.1 million) was classified as growth capital including intangible asset expenditures.

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, 2009 interest on long-term debt was $1.4 million, consistent with the same quarter in 2008. Most of the Fund's long-term debt bears interest at variable rates linked to prime, the $97.8 million convertible debentures bear interest at an annual rate of 6.5% payable semi-annually in arrears on November 30 and May 31 in each year commencing May 31, 2010.

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 four business segments:

(in millions of Canadian dollars)	Year ended **December 31, 2009**	Year ended December 31, 2008	% Change
Fuel Marketing Segment			
Net sales	**1,852.8**	2,174.0	(15)
Cost of sales	**1,670.4**	2,022.4	(17)
Gross profit	**182.4**	151.6	20
Gross margin	**9.84%**	6.97%	
Convenience Store Merchandise Segment			
Net sales	**48.7**	61.8	(21)
Cost of sales	**36.0**	45.6	(21)
Gross profit	**12.7**	16.2	(22)
Gross margin	**26.08%**	26.21%	
Commercial Segment			
Net sales	**93.2**	92.4	1
Cost of sales	**64.5**	58.8	10
Gross profit	**28.7**	33.6	(15)
Gross margin	**30.79%**	36.36%	
Other Segment			
Net sales	**25.4**	20.0	27
Cost of sales	**—**	—	—
Gross profit	**25.4**	20.0	27
Gross margin	**100.0%**	100.0%	
Gross Profit Sources			
Total gross profit	**249.2**	221.4	13
Less:			
Convenience store gross profit	**12.7**	16.2	(22)
Gross profit on commercial sales	**28.7**	33.6	(15)
Other revenue included in gross profit	**25.4**	20.0	27
Fuel gross profit	**182.4**	151.6	20
Cents per litre	**$ 0.066**	$ 0.065	3

Year Ended December 31, 2009

FUEL VOLUMES

Fuel volumes for the year increased 17% with total fuel volume of 2,742 million litres in 2009 compared to 2,353 million litres in 2008. Supply and Wholesale fuel volumes increased 10% to 817 million litres from 740 million litres last year. Retail fuel volumes for the year increased 20% or 241 million litres with most of the net increase in retail fuel volumes being attributed to adding 40 new Esso sites in the first quarter of 2009. Propane volumes remained consistent for the year at 135 million litres compared to 147 million litres in 2008. At the retail level, same-store fuel sales volumes increased approximately 1.9% over the prior year in our company operated and controlled sites but decreased approximately 0.1% in the independent dealer network. Overall Parkland same store sales were up 0.7% over 2008 compared to Western Canada industry average increase of 0.5% (as per Stats Canada 10 month data).

Net sales and operating revenue for the year ended December 31, 2009 was $2,020 million, down 14% from $2,348 million during the same period last year. The primary reason was a 15% decrease in fuel marketing revenue caused by the reduction in the selling price of petroleum products. However, fuel volumes sold for the twelve month period increased 17% compared to 2008.

Total cost of sales for the year ended December 31, 2009 was $1,771 million, down 17% from $2,127 million a year earlier, primarily because of the lower cost of petroleum products versus 2008.

Total gross profit for the year was $249.1 million, up 13% from $221.4 million a year earlier.

OPERATING EXPENSES

Operating and direct costs incurred during 2009 were $106.9 million, up 16% from $92.0 million a year earlier. Marketing, general and administrative expenses were $51.4 million in 2009, up 7% from $48.2 million a year earlier. Contributing to the increase in expenses were the acquisitions of Columbia Fuels and Anmart Fuels during 2009.

SOURCES AND USES OF CASH FROM OPERATIONS

For the year ended 2009, operating activities generated $112.4 million of cash of which $62.3 million was used to fund unitholder distributions, $26.5 million was used for net growth and maintenance capital purchases net of proceeds from disposals. Total additions of intangibles for the year was $12.1 million, primarily related to the implementation of the new Enterprise Resource Planning ("ERP") system. Investing activities related to acquisitions was $48.3 million for the year. Convertible debentures issued during the year, net of issue costs realized proceeds of $93.4 million, the proceeds of which were used to retire long-term debt. Parkland's cash position at December 31, 2009 decreased by $1.9 million during the year compared to an increase of $13.2 million for 2008.

INTEREST ON LONG-TERM DEBT

Interest on long-term debt was $5.1 million in 2009 which was consistent with $4.8 million in 2008.

INCOME TAX EXPENSE

An income tax recovery of $1.1 million in 2009 was incurred compared to $.8 million expense in 2008.

EARNINGS

Earnings before income taxes for the year was $47.5 million, up 5% from $45.2 million a year earlier. Net earnings for 2009 was $48.6 million, up 10% from $44.3 million in 2008.

EBITDA for 2009 was $90.8 million, up $9.6 million or 12% from $81.2 million in 2008. The increase in EBITDA from 2008 can be summarized as a $27.7 million increase in gross profit somewhat offset with an increase in operating and direct costs and marketing, general and administrative expenses of $18.1 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSETS AND AMORTIZATION

Amortization expense was $37.9 million, up 25% from $30.4 million a year earlier. A full year of amortization for capital assets and intangible assets acquired in 2008 plus amortization of capital assets acquired in 2009 accounted for the increase.

The Fund expended $38.6 million in net capital investments compared with $31.1 million the prior year. Current year expenditures of $6.6 million was classified as maintenance capital compared with $9.2 million in 2008 and $32.0 million was classified as growth capital, including intangible asset expenditures related to Parkland's new ERP system, compared with $21.9 million in 2008.

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	**2009 Dec 31**	Sep 30	Jun 30	Mar 31	2008 Dec 31	Sep 30	Jun 30	Mar 31
Fuel volume (millions of litres)	**728**	712	628	673	664	608	525	523
Net sales and operating revenue	**542.4**	543.1	479.5	455.1	524.5	734.1	606.6	482.9
Net earnings	**4.5**	10.1	14.3	19.8	10.1	13.1	11	10.2
EBITDA	**13.7**	21.4	23.4	32.3	25.1	19.9	19	17.2
Net earnings per Unit								
— Basic	**0.09**	0.20	0.28	0.40	0.20	0.26	0.22	0.20
— Diluted	**0.09**	0.20	0.28	0.40	0.20	0.26	0.22	0.20

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.

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 $400 million (increased from $265 million to $400 million on January 31, 2010) and bears interest, payable monthly, at the bank's prime lending rate plus 2.5 to 3.25% per annum. The Extendible Facility is subject to renewal on June 7, 2010 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 eight consecutive quarterly installments, commencing on the last day of the quarter following the then maturity date, with the first seven of such installments being one-eighth 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, 2009 Parkland had $25.9 million in long-term debt (excluding $1.1 million of the current portion and the convertible debentures). At December 31, 2009, $28.0 million of the revolving operating facility was utilized. At December 31, 2009 the debt component portion of the convertible debentures including accreted issue costs was $87.8 million, the equity portion was $5.7 million.

Parkland believes that cash flow from operations will be adequate to fund maintenance capital, interest and targeted distributions. Growth capital expenditures in 2010 will be funded by the revolving extendible credit facility. Additional debt incurred will be serviced by anticipated increases in cash flow and will only be borrowed within Parkland's debt covenant limits.

Parkland manages its capital structure and makes adjustments according to market conditions to maintain flexibility while achieving the 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 remaining available growth capital at December 31, 2009 was approximately $78 million (December 31, 2008 - $179 million). If the maximum equity growth allowed is exceeded, the Fund may be subject to trust taxation prior to 2011.

On December 31, 2009 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 (which excludes the convertible debentures) to EBITDA shall not exceed 2.50 to 1.00;
3. Ratio of EBITDA less maintenance capital expenditures and taxes to the sum of interest, principal and distributions shall not be less than 1.00 to 1.00; and
4. Ratio of total debt to EBITDA shall not exceed 3.50 to 1.00.

Liquidity risk is the risk that 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 2009:

Record Date	Payment Date	Per Trust Unit	Total Cash Distributed (thousands)
January 30, 2009	February 13, 2009	0.105	5,231
February 27, 2009	March 13, 2009	0.105	5,232
March 31, 2009	April 15, 2009	0.105	5,235
April 30,2009	May 15, 2009	0.105	5,235
May 29, 2009	June 15, 2009	0.105	5,237
June 30, 2009	July 15, 2009	0.105	5,248
July 31, 2009	August 14, 2009	0.105	5,268
August 31, 2009	September 15, 2009	0.105	5,269
September 30, 2009	October 15, 2009	0.105	5,270
October 30, 2009	November 13, 2009	0.105	5,272
November 30, 2009	December 15, 2009	0.105	5,281
December 31, 2009	January 15, 2010	0.105	5,271
Total distributions declared to Unitholders in 2009		**1.26**	**63,049**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Critical Accounting Estimates

Estimates are used when accounting for items such as allowance for doubtful accounts, inventory provisions, calculation of fair value for the convertible debentures, intangibles and goodwill, impairment of property plant and equipment, 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 $6.5 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, mining 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. The $97.8 million convertible debentures bear interest at a 5 year annual fixed rate of 6.5% payable semi-annually in arrears on November 30 and May 31 in each year commencing May 31, 2010, reducing Parkland's exposure to variable rates. 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.

As at December 31, 2009 Parkland's accounts receivable balance was $115 million, consistent with the prior year's $113 million.

At December 31, 2009 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 2010, retail fuel sales volumes remain similar to the 2009 year and retail margins remain strong in spite of the winter season when demand for gasoline is typically weakest. Commercial fuel sales volumes remain soft in northern Alberta and British Columbia as upstream oil and gas customers have not fully resumed prior drilling programs. Warmer weather in British Columbia continues to cause softness in heating oil volume and profits.

Current refiners' margins have been running at the low end of seasonal norms compared to Q1 2009 when they were well above average for a first quarter.

On January 31, 2010, Parkland closed the acquisition of Bluewave Energy, which had 2009 fuel sales volumes of 645 million litres. The Bluewave acquisition makes Parkland the largest independent fuel marketer in Canada with a coast-to-coast network of retail, commercial, cardlock, heating oil and propane distribution outlets.

On October 31, 2006, the Canadian Minister of Finance announced the Specified Investment Flow Through Trust (SIFT) income and distribution tax, which will be effective January 1, 2011. Parkland intends to seek unitholder approval to convert back to a corporation by way of a trust unit for corporate share tax-deferred exchange no later than January 2011. After conversion, provided there are no material adverse changes in Parkland's outlook for business conditions, Parkland plans to become a high-yield growth Company with an expected dividend between 75% and 110% of the current level of the Fund's annual distribution ($1.26 per unit).

At the May 3, 2010 Parkland Annual and Special Meeting, Parkland will request approval from unitholders to complete the conversion of Parkland Income Fund into a new public corporation (Parkland Fuel Corporation) effective no later than January 2011. Parkland will schedule a second Special Meeting of unitholders to re-approve the conversion plan if there is a material change in business conditions before conversion or if Parkland proposes conversion before 2011 because of acquisition opportunities or other factors.

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 critical 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 Health, Safety & Environment ("HSE") department 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 2008 and 2009, Parkland satisfactorily completed internal audits of its safety program and facilities, with the highest audit scores in the areas of greatest risk.

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 ERP software. Parkland has engaged external consultants who have experience in the fuel marketing industry and with our ERP system 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. Parkland will be "going live" with its ERP system in the first quarter of 2010 which will consolidate and streamline "procure-to-pay" and "order-to-cash" transaction streams with integration to various external applications. Throughout 2010 Parkland will be expanding and completing the ERP implementation including integration of all 2009 and prior acquisitions. Integration of Bluewave onto the Parkland ERP system is not expected until 2011.

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. 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 contracts 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. The Fund is insured for all major environmental risk areas.

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. Parkland has contracts in place with 6 major refiners with contract durations ranging from 2 to 10 years and 57% of Parkland's fuel volumes correspond to contracts with 3 years or more remaining.

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 two years and continues to be weak.

Mining is susceptible to variations in commodity prices. Parkland's 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.

WEATHER

Parkland's sales volume and profitability are subject to weather influences especially winter temperatures. Parkland's heating oil and propane sales are greatest in the winter months but can decline if winter temperatures are warmer than normal. Parkland has propane and heating oil operations in Atlantic Canada, Ontario, British Columbia and the Yukon which all experience different weather patterns which can mitigate the impacts of regional winter temperature differences. In the spring and fall seasons, weather can negatively influence fertilizer sales in Parkland's commercial business group.

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 alternate non-liquid fuel technologies 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.

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.

Parkland intends to implement its updated ERP system in the first quarter of 2010. The implementation includes the conversion and integration of existing legacy applications and the re-engineering of many processes and controls. Parallel systems will not be fully run at the time of implementation. While there has been robust testing of the new ERP system and extra resources are being deployed to manage the implementation, there is risk that components of the implementation and related applications will not perform as planned, data could be lost and business could be disrupted.

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. The Fund maintains insurance coverage for most environmental risk areas, excluding underground tanks at service stations. Although not insured, these risks are managed through ongoing monitoring, inventory reconciliations and tank replacement programs.

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 such 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. The $97.8 million convertible debentures bear interest at a 5 year annual fixed rate of 6.5% payable semi-annually in arrears on November 30 and May 31 in each year commencing May 31, 2010, reducing Parkland's exposure to variable rates.

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 profitability of the Fund.

REFINERY OPERATING PERMIT

The Bowden 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. An estimate of the potential future remediation cost has been accrued and provided for in Parkland's financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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. With the acquisition of Bluewave Energy, with primary operations in Atlantic Canada, Parkland has added Atlantic Canada economic exposure risk and at the same time has diversified overall Canadian exposure that was previously heavily weighted to Western Canada variables.

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 2009 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 12 of the financial statements. Holdings LP owns Parkland Industries Limited Partnership ("Industries LP") which conducts most of the business of the Fund and owns Bluewave Energy Ltd. 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, 0851738 BC Ltd. (Columbia Fuels) 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

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% 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 intention is to seek unitholder approval to convert back to a corporation no later than January 2011. As a corporation, Parkland will pay applicable Federal and Provincial corporate income taxes. After conversion, provided there are no material adverse changes in Parkland's outlook for business conditions, Parkland plans to become a high-yield growth Company with an expected dividend between 75% and 110% of the current level of the Fund's annual distribution ($1.26 per unit).

At the May 3, 2010 Parkland Annual and Special Meeting, Parkland will request approval from unitholders to complete the conversion of Parkland Income Fund into a new public corporation effective no later than January 2011. Parkland will schedule a second Special Meeting of unitholders to re-approve the conversion plan if there is a material change in business conditions before conversion or if Parkland proposes conversion before 2011 because of acquisition opportunities or other factors.

Parkland's trust to corporation conversion plan and corresponding dividend policy is subject to existing Canadian tax laws and Parkland's outlook for business conditions. Changes in Canadian Tax laws or adverse changes in Parkland's business outlook could negatively impact the conversion plan and Parkland's intended corporate dividend policy.

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 and 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. Details are available from the Fund or from Valiant Trust.

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 controls over financial reporting were effective as of December 31, 2009 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 controls 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.

Parkland is currently undergoing extensive business process re-engineering and an upgrade of its 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 2010, with the exception of the recent acquisition of Bluewave Energy planned for 2011.

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

GOODWILL AND INTANGIBLE ASSETS

The Canadian Institute of Chartered Accountants ("CICA") issued Handbook section 3064 Goodwill and Intangible Assets which is effective for periods beginning on or after October 1, 2008. 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 provisions have been adopted retroactively and did not result in an adjustment to the financial statements. Goodwill and intangible assets have been recognized through business acquisitions as well as the software systems project costs which were capitalized to intangible assets.

FINANCIAL INSTRUMENTS

The CICA has issued sections 3855 and 3862 which apply to the recognition, measurement and disclosure of financial instruments. The sections establish revised standards for debt securities that are not quoted in an active market and provide further guidance on the accounting for impairment of loans and receivables. The sections discuss the classification of fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. These provisions have been incorporated within these statements where appropriate.

Recent Accounting Standards

BUSINESS COMBINATIONS, CONSOLIDATED FINANCIAL STATEMENTS, AND NON-CONTROLLING INTERESTS

In January 2009, the CICA issued three new accounting standards: Handbook Section 1582, Business Combinations, Section 1601, Consolidated Financial Statements and Section 1602, Non-controlling Interests. Section 1582 provides clarification as to what an acquirer must measure when it obtains control of a business, the basis of valuation and the date at which the valuation should be determined. Acquisition-related costs must be accounted for as expenses in the periods they are incurred, except for costs incurred to issue debt or share capital. This new standard will be applicable for acquisitions completed on or after January 1, 2011 although adoption in 2010 is permitted to facilitate the transition to International Financial Reporting Standards in 2011. Section 1601 establishes standards for preparing consolidated financial statements after the acquisition date; Section 1602 establishes standards for the accounting and presentation of non-controlling interests. These new standards must be adopted concurrently with Section 1582.

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

Canadian public companies will be required to prepare their financial statements in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board, for fiscal years beginning on or after January 1, 2011. Effective January 1, 2011, Parkland will adopt IFRS as the basis for preparing its consolidated financial statements. Parkland will report the financial results for the quarter ended March 31, 2011 prepared on an IFRS basis. Parkland will also provide comparative data on an IFRS basis, including an opening balance sheet as at January 1, 2010. The Fund is currently assessing this change, the impact of which cannot be determined at this time. Regular progress reports on the status of Parkland's IFRS implementation project are provided to the Audit Committee of the Board of Directors. An international consulting firm has been engaged to provide technical accounting advice and project management guidance on the conversion to IFRS.

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, notes payable and convertible debentures	Operating leases	Capital leases
2010	92	4,634	1,134
2011	12,068	4,480	733
2012	11,733	3,925	609
2013	—	3,704	390
2014	97,750	2,711	92
Thereafter	—	12,180	799
	121,643	31,634	3,757

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, 2009, Parkland had 50.2 million units outstanding and 0.5 million unit options outstanding. All of the options outstanding are currently exercisable into units.

Management's Responsibility for Financial Statements

The accompanying financial statements of Parkland Income Fund have been prepared by management in accordance with generally accepted accounting principles. Parkland's accounting procedures and related systems of internal control are designed to provide reasonable assurance that its assets are safeguarded and its financial records are reliable. In recognizing that 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, 2009 and 2008.

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
March 2, 2010

Kenneth J. Grondin
Senior Vice President and CFO
Red Deer, Alberta
March 2, 2010

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, 2009 and 2008 and the consolidated statements of earnings and comprehensive income and retained earnings and cash flows for each of the years in the two year period ended December 31, 2009. 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, 2009 and 2008 and the results of its operations and its cash flows for each of the years in the two year period ended December 31, 2009 in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants
Calgary, Alberta
March 1, 2010

CONSOLIDATED BALANCE SHEET

($000's)	December 31 **2009**	December 31 2008
ASSETS		
Current Assets		
Cash and cash equivalents	**17,612**	19,529
Accounts receivable	**114,763**	112,927
Income tax recoverable	**771**	313
Inventories *(Note 4)*	**51,757**	34,666
Prepaid expenses and other	**8,146**	6,796
	193,049	174,231
Property, plant and equipment *(Note 5)*	**210,985**	195,917
Intangible assets *(Note 6)*	**35,485**	17,619
Goodwill	**28,269**	13,500
Other long-term assets	**2,927**	2,699
Future income taxes *(Note 20)*	**3,620**	1,522
	474,335	405,488
LIABILITIES		
Current Liabilities		
Bank indebtedness *(Note 7)*	**28,000**	40,000
Accounts payable and accrued liabilities	**106,047**	73,505
Distributions declared and payable	**5,205**	5,385
Deferred revenue	**5,520**	3,260
Long-term debt - current portion *(Note 8)*	**1,052**	3,224
	145,824	125,374
Long-term debt *(Note 8)*	**25,917**	70,151
Convertible debentures *(Note 9)*	**87,827**	—
Asset retirement obligations *(Note 10)*	**5,462**	3,094
Refinery remediation accrual *(Note 11)*	**6,527**	6,107
Future income taxes *(Note 20)*	**12,020**	9,206
	283,577	213,932
UNITHOLDERS' CAPITAL *(Note 12)*		
Class B Limited Partners' Capital	**2,440**	3,153
Class C Limited Partners' Capital	**53,881**	53,461
Unitholders' Capital	**128,749**	134,942
Convertible equity *(Note 9)*	**5,688**	—
	190,758	191,556
	474,335	405,488

See accompanying notes to the consolidated financial statements. Commitments (Note 21). Contingencies (Note 26).

James Pantelidis
Chairman of the Board

Michael W. Chorlton
President and CEO

CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME AND RETAINED EARNINGS

For the years ended *($000's except Unit and per Unit amounts)*	December 31 **2009**	December 31 2008
Net sales and operating revenue	**2,020,016**	2,348,126
Cost of sales	**1,770,891**	2,126,745
Gross profit	**249,125**	221,381
Expenses		
Operating and direct costs	**106,903**	91,960
Marketing, general and administrative	**51,382**	48,212
Amortization	**37,878**	30,359
Refinery remediation	**420**	394
Accretion expense on asset retirement obligations	**184**	113
Interest on long-term debt	**5,119**	4,831
Interest and accretion on convertible debentures	**633**	—
(Gain) loss on disposal of property, plant and equipment	**(863)**	344
	201,656	176,213
Earnings before income taxes	**47,469**	45,168
Income tax expense (recovery) *(Note 20)*		
Current	**(450)**	(313)
Future	**(685)**	1,140
	(1,135)	827
Net earnings	**48,604**	44,341
Comprehensive income	**48,604**	44,341
Retained earnings, beginning of year	**—**	—
Allocation to Class B Limited Partners *(Note 12)*	**(2,730)**	(6,298)
Allocation to Class C Limited Partner s *(Note 12)*	**(5,174)**	(4,634)
Allocation to Unitholders *(Note 12)*	**(40,700)**	(33,409)
Retained earnings, end of year	**—**	—
Net earnings per Unit *(Note 3)*		
— basic	**$ 0.97**	$ 0.88
— diluted	**$ 0.97**	$ 0.88
Units outstanding *(Note 12)*	**50,194**	49,665

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the years ended *($000's)*	December 31 **2009**	December 31 2008
Cash Provided By Operations		
Net earnings	**48,604**	44,341
Add (deduct) non-cash items		
Amortization	**37,878**	30,359
(Gain) loss on disposal of property, plant and equipment	**(863)**	344
Unit incentive compensation *(Note 12)*	**2,950**	2,390
Refinery remediation accrual	**420**	394
Accretion expense on asset retirement obligation	**184**	113
Accretion on convertible debenture	**75**	—
Future taxes	**(685)**	1,140
Funds flow from operations	**88,563**	79,081
Cash expenditures on asset retirement obligation	**(280)**	—
Net changes in non-cash working capital (Note 23)	**24,109**	(7,464)
Cash from operating activities	**112,392**	71,617
Financing Activities		
Long-term debt repayments	**41**	(5,827)
Distributions to Class B Limited Partners *(Note 12)*	**(3,443)**	(8,860)
Distributions to Class C Limited Partners *(Note 12)*	**(6,689)**	(6,627)
Distributions to Unitholders *(Note 12)*	**(52,152)**	(47,929)
Fund Units issued *(Note 12)*	**2,309**	1,736
Convertible debenture equity *(Note 9)*	**5,688**	—
Repurchase of Fund Units	**—**	(4,520)
Issue of convertible debenture, net of issue costs *(Note 9)*	**87,752**	—
Proceeds from long-term debt	**(48,555)**	60,847
Net changes in non-cash working capital *(Note 23)*	**(12,090)**	960
Cash (used for) from financing activities	**(27,139)**	(10,220)
Investing Activities		
Acquisition of Imperial Oil Customer Volume *(Note 14)*	**(7,200)**	—
Acquisition of Columbia Fuels *(Note 15)*	**(33,483)**	—
Acquisition of Anmart Fuels fuel marketing business *(Note 16)*	**(4,812)**	—
Acquisition of Eagle Marine *(Note 17)*	**(2,819)**	—
Acquisition of NOCO Energy fuel marketing business *(Note 18)*	**—**	(8,808)
Acquisition of Wiebe Transport *(Note 19)*	**—**	(6,899)
Change in other assets	**(228)**	(1,325)
Additions of property, plant and equipment	**(31,489)**	(31,935)
Additions of intangibles	**(12,101)**	—
Proceeds on sale of property, plant and equipment	**4,962**	803
Cash used for investing activities	**(87,170)**	(48,164)
Increase (decrease) in cash and cash equivalents	**(1,917)**	13,233
Cash and cash equivalents, beginning of year	**19,529**	6,296
Cash and cash equivalents, end of year	**17,612**	19,529

See accompanying notes to the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2009

All amounts presented in tables are in thousands of Canadian dollars, except Unit, per Unit and text information unless otherwise indicated.

1. Accounting Policies

BASIS OF PRESENTATION

Parkland Income Fund (The 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. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada (GAAP).

PRINCIPLES OF CONSOLIDATION

The Consolidated Financial Statements include the accounts of Parkland Income Fund and its subsidiaries, partnerships and trusts (collectively "Parkland" or "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 appropriate for accounting purposes. 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.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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. The convertible debentures are classified as debt on the balance sheet with a portion of the proceeds allocated to equity. The debt component has been measured at amortized cost net of debt issue costs.

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 Fund accounts for debt issue costs by capitalizing or deferring as a contra-liability and accreting such costs back to the debt over it's life. All guarantees upon inception are 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.

FIXED ASSETS

Fixed assets are recorded at cost. Where costs are incurred to extend the useful life of property, plant and equipment or to upgrade its capabilities, the amounts are capitalized to the related asset. Costs incurred to repair or maintain property, plant and equipment are expensed as incurred. The Fund assesses the value of its capital assets for impairment and adjusts to the lower of cost or market value as required.

AMORTIZATION

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

INTANGIBLE ASSETS

Customer relationships and tradenames acquired during acquisitions are recorded at estimated fair value and are amortized using the straight-line method over their estimated useful lives of 5 years. The value of non-compete agreements acquired is recorded at estimated fair value and is 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. Project costs related to a major system implementation have been capitalized as part of the cost of intangible assets and will be amortized using the straight-line method over the estimated useful life of 10 years.

GOODWILL

The Fund records 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 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.

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.

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 to determine the dilutive effects of the convertible debentures. 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. Dilutive trust units are arrived at by taking the weighted average trust units and the trust units issuable on conversion of the convertible debentures, giving effect to the potential dilution that would occur had conversion occurred at the beginning of the period or on issuance of the convertible insturment, whichever is later. 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, physical delivery has occurred and collection is reasonably assured. Revenue related to all services provided is recognized when the service is provided, the price is fixed and collection is reasonably assured.

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.

VENDOR REBATES

Vendor rebates are received for high volume inventory purchases and are recorded initially as a reduction to inventory with a subsequent reduction in cost of sales when the product is sold.

2. Changes in Accounting Policies

CURRENT

Goodwill and Intangible Assets

The Canadian Institute of Chartered Accountants ("CICA") issued Handbook section 3064 Goodwill and Intangible Assets which is effective for periods beginning on or after October 1, 2008. 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 provisions have been adopted retroactively and did not result in an adjustment to the financial statements. Goodwill and intangible assets have been recognized through business acquisitions as well as the software systems project costs which were capitalized to intangible assets.

Financial Instruments

The CICA has issued Handbook sections 3855 and 3862 which apply to the recognition, measurement and disclosure of financial instruments. The sections establish revised standards for debt securities that are not quoted in an active market and provide further guidance on the accounting for impairment of loans and receivables. The sections discuss the classification of fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. These provisions have been incorporated within these statements as set out in Note 22.

FUTURE

Business Combinations, Consolidated Financial Statements, and Non-controlling Interests

In January 2009, the CICA issued three new accounting standards: Handbook Section 1582, Business Combinations, Section 1601, Consolidated Financial Statements and Section 1602, Non-controlling Interests. Section 1582 provides clarification as to what an acquirer must measure when it obtains control of a business, the basis of valuation and the date at which the valuation should be determined. Acquisition-related costs must be accounted for as expenses in the periods they are incurred, except for costs incurred to issue debt or share capital. This new standard will be applicable for acquisitions completed on or after January 1, 2011 although adoption in 2010 is permitted to facilitate the transition to IFRS in 2011. Section 1601 establishes standards for preparing consolidated financial statements after the acquisition date; Section 1602 establishes standards for the accounting and presentation of non-controlling interest. These new standards must be adopted concurrently with Section 1582.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Transition to International Financial Reporting Standards

Canadian public companies will be required to prepare their financial statements in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board, for fiscal years beginning on or after January 1, 2011. Effective January 1, 2011, Parkland will adopt IFRS as the basis for preparing the consolidated financial statements. Parkland will report the financial results for the quarter ended March 31, 2011 prepared on an IFRS basis. Parkland will also provide comparative data on an IFRS basis, including an opening balance sheet as at January 1, 2010. The Fund is currently assessing this change, the impact of which cannot be determined at this time.

3. Earnings Analysis and Earnings Per Unit

	2009	2008
Net earnings	**48,604**	44,341
Earnings per unit		
- basic	**$ 0.97**	$ 0.88
- diluted	**$ 0.97**	$ 0.88
Equivalent units outstanding, beginning of year	**49,665**	49,986
Weighted average of Class C units issued	**149**	155
Weighted average of Fund units issued	**—**	—
Weighted average of Fund units repurchased	**—**	(65)
Weighted average of equivalent units issued pursuant to restricted unit plan	**133**	85
Weighted average of equivalent units issued pursuant to distribution reinvestment plan	**79**	53
Weighted average of equivalent units issued pursuant to exercise of unit options	**60**	52
Denominator utilized in basic earnings per unit	**50,086**	50,266
Incremental equivalent units outstanding that were dilutive	**143**	33
Denominator utilized in diluted earnings per unit	**50,229**	50,299

4. Inventories

	2009	2008
Gas and diesel	**36,261**	19,177
Agricultural inputs	**4,848**	6,122
Convenience store merchandise	**1,962**	3,525
Lubricants	**4,174**	4,021
Propane	**1,364**	717
Other	**3,148**	1,104
	51,757	34,666

For the year ended December 31, 2009, the amount of inventory recognized as an expense amounted to $1.8 billion (2008 - $1.7 billion)

5. Property, Plant and Equipment

December 31, 2009	Cost	Accumulated Amortization	Net Book Value
Land	**31,714**	**—**	**31,714**
Land improvements	**13,449**	**3,548**	**9,901**
Buildings	**66,444**	**16,953**	**49,491**
Assets under capital lease	**4,302**	**666**	**3,636**
Equipment	**211,587**	**95,344**	**116,243**
	327,496	**116,511**	**210,985**

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

6. Intangible Assets

December 31, 2009	Cost	Accumulated Amortization	Net Book Value
Customer relationships	**29,696**	**9,962**	**19,734**
Tradenames	**4,966**	**2,819**	**2,147**
Non-compete agreements	**2,171**	**668**	**1,503**
Software systems project costs	**12,101**	**—**	**12,101**
	48,934	**13,449**	**35,485**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. Bank Indebtedness

On June 8, 2009, 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 $70 million and subject to margin calculations. The operating facility bears interest at prime plus 2.75%. The effective rate of interest at December 31, 2009 was 5.00 % (2008 -3.90 %). 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.

Effective January 31, 2010, the Fund accepted the terms and conditions of a proposed financing arrangement with HSBC Bank of Canada and a Banking Syndicate of 7 other banks (Note 28). The proposed financing arrangement will provide for an increase in the fund's credit facility from $265 million to $400 million. The proposed financing arrangement is comprised of $80 million for operating debt, $45 million for letters of credit and the remainder ($275 million) for term debt. The proposed financing will assist in the asset purchase acquisition of Bluewave Energy and growth capital of the Fund.

8. Long-term Debt

	2009	2008
Bank loans	**94**	167
Extendible facility	**23,504**	71,825
Mortgage payable	**295**	—
Capital lease obligations	**3,076**	1,383
	26,969	73,375
Less current portion	**1,052**	3,224
	25,917	70,151

Estimated repayments for the next five years are:

	Obligations under capital leases	Other Loans	Total
2010	1,134	92	1,226
2011	733	12,068	12,801
2012	609	11,733	12,342
2013	390	—	390
2014	92	—	92
Thereafter	799	—	799
	3,757	23,893	27,650
Interest expense included in minimum lease payments	(681)	—	(681)
	3,076	23,893	26,969

BANK LOANS

Bank loans are payable in monthly instalments of $5,992. The bank loan is non interest bearing and is secured by vehicles with a net book value of $100,402. (2008-$160,339)

EXTENDIBLE FACILITY

On June 8, 2009, the Fund entered into a credit agreement, which replaced the pre-existing agreements, with a syndicate of banks consisting of the following facilities:

(i) a revolving operating facility for working capital requirements to a maximum of $70 million, subject to margin calculations. The operating facility bears interest at prime plus 2.75%. The effective rate of interest at year end was 5.00% (2008 - 3.90%).

(ii) a capital loan with interest only payable. This is an extendible facility subject to renewal on June 7, 2010 at which time it can be extended at the fund or lender's option for 364 days. The interest is payable monthly at the bank's prime lending rate plus 2.75% per annum. The effective rate of interest at year end was 5.0% (2008 - 4.15%). If not renewed, the loan is due in June 2012.

The obligations under the credit agreement are secured by a demand debenture for the property of the Fund, assignment of insurance and an unlimited guarantee from the entities providing security. Standby fees apply to the unused portion of the credit facilities at a rate of 0.65% to 0.75% depending on the ratio of funded debt to EBITDA. Under the terms of the credit agreement, the Fund must comply with certain restrictive covenants. As at December 31, 2009, the Fund was in compliance with these requirements.

The fund has outstanding letters of credit totaling $28.5 million (December 31, 2008 -$31.6 million) which mature at various dates to October 29, 2010. The Fund's credit facility provides for letters of credit to a maximum of $45.0 million. If the extendable facility is not extended, all amounts outstanding are repayable in eight consecutive quarterly installments, commencing on the last day of the quarter following the then maturity date, with the seven of such installments being one-eighth of the outstanding balance and remainder due at the end of the period.

MORTGAGE PAYABLE

The mortgage is payable in yearly instalments of $20,000 and due February 12, 2011. Interest on the mortgage is 8% per annum and the mortgage is secured by the land and buildings with a net book value of $1.8 million.

CAPITAL LEASES

Capital leases are payable in monthly instalments totaling $82,983 including interest varying from 0% to 10.37%. The leases are for land, buildings and equipment with a net book value of $3,635,844 and mature at various dates ending July 2022.

9. Convertible Debentures

On December 1, 2009 the Trust issued $97.75 million principal amount of 6.5 % convertible unsecured subordinated debentures, at a price of $1,000 per debenture. Interest on these debentures is paid semi-annually in arrears, on November 30 and May 31 in each year commencing May 31, 2010. The debentures are convertible at the option of the holder at any time into trust units at a conversion price of $14.60 per trust unit. The debentures mature on November 30, 2014 at which time they are due and payable. On or after November 30, 2012 and prior to November 30, 2013, the Debentures may be redeemed in whole or in part at the option of the Fund on not more than 60 days and not less than 30 days prior notice at a price equal to the principal amount thereof plus accrued and unpaid interest, provided that the "current market price" of the trust units of the Fund (the "Trust Units") on the date immediately preceding the date on which the notice of redemption is given is not less than 125% of the Conversion Price. On or after November 30, 2013 and prior to the Maturity Date, the Debentures may be redeemed in whole or in part at a price equal to their principal amount plus accrued and unpaid interest. Upon the maturity of the Debentures, the Fund may pay the outstanding principal of the Debentures in cash or may at its option, on not greater than 60 days and not less than 40 days prior notice and subject to regulatory approval, elect to satisfy its obligations to repay all or a portion of the principal amount of the Debentures which have matured or been redeemed by issuing and delivering that number of Trust Units obtained

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

by dividing the aggregate principal amount of the Debentures which have matured or redeemed by 95% of the weighted average trading price of the Trust Units on the Toronto Stock Exchange (the "TSX") for the 20 consecutive trading days ending five trading days preceding the date fixed for redemption or the Maturity Date, as the case may be. Any accrued and unpaid interest thereon will be paid in cash.

The debentures are classified as debt on the balance sheet with a portion of the proceeds allocated to equity, representing the value of the conversion feature. The residual method was used to value the debt and equity and the interest rate used to value the debt component was 8%. As the debentures are converted to trust units, a portion of the debt and equity amounts will be transferred to Unitholders' Capital. The debt component of the convertible debentures is carried net of issue costs of $4 million. The debt balance, net of issue costs, accretes over time to the principal amount owing on maturity. Using the effective interest rate method, the accretion of the debt discount and the interest paid to debenture holders are expensed each period as part of the item line "interest and accretion on convertible debentures" in the consolidated statements of earnings and comprehensive income and retained earnings. The following table reconciles the principal amount, debt component and equity component of the convertible debentures.

	Principal Ammount of Debentures	Convertible Debenture Debt	Convertible Debenture Equity
December 1, 2009 issuance	97,750	91,800	5 ,950
Issue costs	—	(4,048)	(262)
	97,750	87,752	5 ,688
Accretion	—	75	—
Balance December 31, 2009	**97,750**	**87,827**	**5 ,688**

10. Asset Retirement Obligations

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

	2009	2008
Asset retirement obligations, beginning of year	**3,094**	2,227
Additions (disposals) during the year	**2,184**	(104)
Change in estimates	**—**	858
Accretion expense	**184**	113
Asset retirement obligations, end of year	**5,462**	3,094

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 (ARO) 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 $7.1 million in fiscal 2009 (2008 -$4.0 million), which primarily reflects the Fund's addition of new leased sites. Discounting these incremental cash flows resulted in a $1.7 million increase in the asset retirement obligation at December 31, 2009. The costs are expected to be incurred between 2010 and 2027. At December 31, 2009, the discount rate used to determine the present value of the future costs ranges from 3.43 % to 6.90% (2008 - 6.9%).

11. Refinery Remediation Accrual

	2009	2008
Refinery remediation accrual, beginning of year	**6,107**	5,713
Accretion expense	**420**	394
Refinery remediation accrual, end of year	**6,527**	6,107

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.

The Fund has used the refinery for processing fluids used in the oilfields. The contract was terminated and the Fund is continuing to pursue other economically viable uses for the remaining processing units at the refinery. The Fund has used the tanks for storage in the past two years and has been upgrading the equipment for the railroad terminal and plans to use the tanks for storage and shipping product by rail. Therefore any decision to dismantle, remediate and sell the refinery site has been deferred indefinitely. The obligations relating to future environmental remediation, however, continue to exist.

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 % (2008 - 6.9 %).

12. 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.

The Fund had no accumulated other comprehensive income at 2009 and 2008.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	2009		2008	
	Number of Units (000's)	Amount	Number of Units (000's)	Amount
Class B Limited Partnership Units				
Balance, beginning of year	**2,885**	**3,153**	8,534	12,606
Allocation of retained earnings	**–**	**2,730**	–	6,298
Distribution to partners	**–**	**(3,443)**	–	(8,860)
Exchanged for Fund Units	**(308)**	**–**	(5,649)	(6,891)
Balance, end of year	**2,577**	**2,440**	2,885	3,153
Class C Limited Partnership Units				
Balance, beginning of year	**5,238**	**53,461**	5,165	54,121
Issued on capital acquisition, net of issue costs	**208**	**1,935**	167	2,320
Allocation of retained earnings	**–**	**5,174**	–	4,634
Distribution to partners	**–**	**(6,689)**	–	(6,627)
Exchanged for Fund Units	**(137)**	**–**	(94)	(987)
Balance, end of year	**5,309**	**53,881**	5,238	53,461
Fund Units				
Balance, beginning of year	**41,542**	**134,942**	36,287	141,978
Allocation of retained earnings	**–**	**40,700**	–	33,409
Issued on vesting of restricted units	**136**	**–**	89	–
Unit incentive compensation	**–**	**2,950**	–	2 ,390
Issued for cash, net of issue costs	**4**	**35**	–	–
Issued under distribution reinvestment plan	**144**	**1,332**	107	1,089
Issued under unit option plan	**146**	**942**	81	647
Distribution to unitholders	**–**	**(52,152)**	–	(47,929)
Exchange of Limited Partnership Units	**445**	**–**	5,743	7,878
Expired exchange units	**(109)**	**–**	–	–
Units repurchased	**–**	**–**	(765)	(4,520)
Balance, end of year	**42,308**	**128,749**	41,542	134,942
Convertible equity	**–**	**5,688**	–	–
Balance, end of year	**42,308**	**134,437**	41,542	134,942
Total For Fund, Class B, Class C	**50,194**	**190,758**	49,665	191,556

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, 2009 and 2008 and the changes therein for the years then ended:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	2009		2008	
	Number of Units *(000's)*	Weighted Average Exercise Price	Number of Units *(000's)*	Weighted Average Exercise Price
Option units, beginning of year	**682**	**$ 6.58**	779	$ 6.60
Exercised	**(146)**	**6.45**	(97)	6.68
Option units, end of year	**536**	**$ 6.62**	682	$ 6.58
Exercisable options, end of year	**536**	**$ 6.62**	682	$ 6.58

Exercise prices for outstanding options at December 31, 2009 have the following ranges: 65,373 from $4.15 - $5.87, 123,496 from $6.32 - $6.68 and 347,015 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 three to six 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 $0.2 million (2008 - $0.2 million) and is included in the marketing, general and administrative expenses.

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 granted in 2007, 2008 and 2009 vest over a three year period. The Units are subject to entity performance criteria.

The table below represents the status of the Fund's Restricted Unit Plan as at December 31, 2009 and the changes therein for the year then ended:

	2009		2008	
	Number of Units *(000's)*	Weighted Average Unit Price	Number of Units *(000's)*	Weighted Average Unit Price
Restricted units, beginning of year	**339**	**$ 12.70**	294	$ 10.62
Granted	**506**	**6.40**	152	15.89
Issued on vesting	**(136)**	**12.81**	(88)	10.97
Cancelled	**(24)**	**13.33**	(19)	13.93
Restricted units, end of year	**685**	**$ 8.28**	339	$ 12.70

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 2009 is $2.9 million (2008 -$2.4 million). The compensation cost that has been included in marketing, general and administrative expenses for 2009 is $3.2 million (2008 - $2.2 million).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. 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.

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

	December 31, **2009**	December 31, 2008
Bank indebtedness	**28,000**	40,000
Long-term debt and convertible debentures, including current portion	**114,796**	73,375
Cash and cash equivalents	**(17,612)**	(19,529)
Net Debt	**125,184**	93,846
Unitholders' Capital	**190,758**	191,556
Capitalization	**315,942**	285,402
Net Debt to Capitalization	**40%**	33%

The Fund's Net Debt to Capitalization ratio increased to 40% from 33% at December 31, 2009 primarily due to the issuance of the convertible debentures in 2009 to fund acquisition and growth capabilities of the Fund.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Fund currently targets a Net Debt to EBITDA of less than 3.5 times. This target may be periodically exceeded if strategic acquisitions are available. The Fund may also need to exceed this target as it continues its growth with consideration for the maximum equity limits referred to later in this note. At December 31, 2009, the Net Debt to EBITDA was 1.38 times (December 31, 2008 -1.16 times) calculated on a trailing twelve-month basis as follows:

	December 31, 2009	December 31, 2008
Net Debt	**125,184**	93,846
Net earnings	**48,604**	44,341
Add		
Interest on long-term debt	**5,119**	4,831
Income tax expense	**(1,135)**	827
Refinery remediation	**420**	394
Accretion expense on ARO	**184**	113
Interest and accretion on convertible debentures	**633**	—
(Gain) loss on disposal of property, plant and equipment	**(863)**	344
Amortization	**37,878**	30,359
EBITDA	**90,840**	81,209
Net Debt to EBITDA	**1.38**	1.16

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.

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 up to December 31, 2010 based on the Fund's market capitalization on October 31, 2006.

The Fund's allowed cumulative growth capital at December 31, 2009 was approximately $340 million (December 31, 2008 -$272 million). If the maximum equity growth allowed is exceeded, the Fund may be subject to trust taxation prior to 2011. The Fund's remaining available growth capital at the end of 2009 was $78.3 million.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. Acquisition of Imperial Oil Customer Volume

On January 15, 2009 the Fund acquired the fuel supply and marketing business for 40 stations from Imperial Oil. The transaction was effective October 15, 2008 and 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	7,200
	7,200
Consideration:	
Cash paid to vendor	7,200
	7,200

15. Acquisition of Fuel Distribution Business of Columbia Fuels Ltd.

On June 15, 2009 the Fund acquired the fuel distribution business of Columbia Fuels Ltd., a company specializing in home heating oil, bulk petroleum and bio fuels based in Victoria, BC. 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 asset - customer relationships	4,100
Intangible asset - non compete agreement	200
Goodwill	14,181
Property, plant and equipment	12,265
Future income tax liability	(1,100)
Working capital	7,613
	37,259
Consideration:	
Cash paid to vendor	21,721
Capital lease liabilities assumed	1,841
Loan paid out	10,347
Class C Limited Partnership Units	1,935
Acquisition costs	1,415
	37,259
Non cash consideration:	
Capital lease liabilities assumed	(1,841)
Class C Limited Partnership units issued	(1,935)
	33,483

The effective date of the transaction was June 1, 2009. The Fund issued 208,045 Class C Limited Partnership units valued at $9.30 per unit. The units were valued using the 10 day weighted average market price based on the closing price 5 days before and 5 days after the announcement date of the acquisition. Goodwill and Intangible Assets have a tax basis of $4,813,667.

In the third quarter the Fund adjusted the purchase price allocation for Columbia Fuels Ltd in order to capture revisions to the acquired asset fair market values as well as the costs of acquisition. The estimated fair value of the assets acquired increased by $277,000 due to additional acquisition costs. Goodwill was reduced by $896,000, property plant and equipment increased by $859,000 and working capital increased by $314,000. In the fourth quarter, Goodwill and the future Income tax liability were increased by $500,000.

16. Acquisition of Fuel Marketing Business of Anmart Fuels

On July 8, 2009 the Fund acquired the fuel marketing business of Anmart Fuels. 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 asset - customer relationships	450
Intangible asset - non compete agreement	25
Goodwill	188
Property, plant and equipment	1,952
Working capital	2,197
	4,812
Consideration:	
Cash paid to vendor	4,700
Acquisition costs	112
	4,812

The effective date of the transaction was May 31, 2009. The above purchase price allocation was adjusted in December 2009 for revisions to the fair market value assessments including a reduction in goodwill of $4,000, an increase in property plant and equipment of $139,000 and a reduction in working capital of $135,000.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

17. Acquisition of Eagle Marine Ltd.

On December 1, 2009, the effective date, the Fund acquired the fuel marketing business of Eagle Marine 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:	
Intangible asset - customer relationships	297
Goodwill	400
Property, plant and equipment	2,100
Future income tax liability	(300)
Working capital	322
	2,819
Consideration:	
Cash paid to vendor	2,792
Acquisition costs	27
	2,819

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. 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

20. 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:

		2009		2008
		%		%
Provision for income taxes at statutory rates	**14,084**	**29.67**	13,663	30.25
Add (deduct) the tax effect of :				
Income earned in limited partnership	**(18,479)**	**(38.93)**	(15,600)	(34.54)
Effect of taxation of Trusts in 2011	**(730)**	**(1.53)**	356	0.79
Intangible assets recorded with carrying value in excess of tax	**1,684**	**3.53**	—	—
Rate differential and other items	**2,306**	**4.86**	2,408	5.33
	(1,135)	**(2.40)**	827	1.83

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The future income tax assets and liabilities are comprised of:

	2009	2008
Future income tax assets		
Effect of LIFO to FIFO inventory adjustment	–	(337)
Capital assets tax values in excess of carrying values	1,988	332
Refinery remediation	1,632	1,527
	3,620	1,522
Future income tax liabilities		
Intangible assets carrying value less than tax value	1,686	–
Capital assets carrying value in excess of tax values	1,370	1,598
Effect of taxation of Trusts in 2011	7,078	7,608
Effect of LIFO to FIFO inventory adjustment	1,886	–
	12,020	9,206

21. Commitments

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

2010	4,634
2011	4,480
2012	3,925
2013	3,704
2014	2,711
Thereafter	12,180

The Fund 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. The Fund also has purchase commitments that require the purchase of $1.0 million of ammonia in the next year.

22. Financial Instruments and Risk Management

FAIR VALUES

The fair value of cash and cash equivalents, accounts receivable, distributions payable, bank indebtedness 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 bank loans, capital lease obligations and mortgages and other long-term assets are as follows:

	As at December 31, 2009		As at December 31, 2008	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Bank loans	**389**	**390**	167	169
Capital lease obligations	**3,076**	**3,880**	1,383	1 ,827
Mortgages and loans receivable	**2,927**	**2,977**	2,699	2 ,571
Convertible debenture debt	**87,827**	**92,218**	—	—

Fair value of bank loans, capital lease obligations and mortgages and loans receivable are estimated using discounted cash flow analysis based upon incremental borrowing rates for similar borrowing arrangements.

The Fund has evaluated the financial instruments' fair values in accordance with CICA Handbook sections 3855 and 3862. The Fund's financial instruments that are carried at market were evaluated against the sections' fair value hierarchy criteria. The Fund has concluded that all the financial instruments are level 3 as defined in Handbook section 3862, as the inputs to determine the market value are not based on observable market data.

The Fund does not have a significant credit exposure to any individual customer. The Fund reviews each 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 $79,764 (2008 -$75,334), bear interest at rates ranging between nil and 10.75 % (2008 - nil and 10.75 %) and are secured by specific assets of the mortgagee and are included in other long-term assets.

CREDIT AND MARKET RISK

A substantial portion of the Fund's accounts receivable balance is with customers in the oil and gas, mining 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 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. The Fund performs ongoing credit evaluations of its customers and outstanding debts are regularly monitored. At December 31, 2009, the provision for impairment of credit losses was $3.6 million (2008 $3.5 million).

The Fund is exposed to market risk from changes in the Canadian prime interest rate which can impact its borrowing costs. A 1% change to interest rates would have caused an increase or decrease to earnings by $0.5 million as at December 31, 2009.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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.

LIQUIDITY RISK

Liquidity risk is the risk that the Fund will encounter difficulties in meeting its short term financial obligations. The Fund's liquidities are provided mainly by cash flows from operating activities and borrowings available under its revolving credit facilities. In managing liquidity risk, the Fund has access to various credit products at competitive rates. As at December 31, 2009, the Fund had available unused credit facilities in the amount of $166.9 million. The Fund believes it has sufficient funding through the use of its facility to meet foreseeable borrowing requirements.

23. Net Changes in Non-cash Working Capital

Year ended	December 31 **2009**	December 31 2008
Accounts receivable	**11,213**	(10,567)
Inventories	**(14,150)**	13,912
Prepaid expenses and other	**(1,116)**	3,605
Income taxes recoverable	**(458)**	(313)
Accounts payable and accrued liabilities	**26,770**	(11,806)
Income taxes payable	**–**	(1,716)
Deferred revenue	**1,850**	(579)
Total for operating activities	**24,109**	(7,464)
Operating line of credit	**(12,000)**	17,750
Distributions declared and payable	**(90)**	(16,790)
Total for financing activities	**(12,090)**	960
Other cash flow information		
Cash taxes paid	**–**	715
Cash interest paid	**5,119**	4,831

24. Segmented Information

The Fund's operations have been predominantly in fuel marketing and convenience store sales. With acquisitions in the past three years the Fund has expanded it's sales in propane, fertilizer, lubricants, home heating oil, other agricultural inputs and industrial products and services.

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	Other	Total
Year ended December 31, 2009					
Net sales and operating revenue	**1,852,769**	**48,693**	**93,154**	**25,400**	**2,020,016**
Cost of sales	**1,670,391**	**36,042**	**64,458**	**—**	**1,770,891**
Gross profit	**182,378**	**12,651**	**28,696**	**25,400**	**249,125**
Year ended December 31, 2008					
Net sales and operating revenue	2,173,984	61,780	92,362	20,000	2,348,126
Cost of sales	2,022,406	45,556	58,783	—	2,126,745
Gross profit	151,578	16,224	33,579	20,000	221,381

25. 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 2009 amounted to $1.1 million including $0.3 million in amounts payable at year end. (2008 - $0.5 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.

26. Contingencies

The Fund is involved in various legal claims and legal notices arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Fund's financial position, results of operations, or cash flows. Any amounts awarded as a result of these actions will be reflected when known.

27. Comparative Figures

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

28. Subsequent Events

ACQUISITION OF BLUEWAVE ENERGY LIMITED PARTNERSHIP

Effective January 31, 2010, the Fund closed an asset purchase acquisition of Bluewave Energy Limited Partnership ("Bluewave Energy"), a petroleum distribution company with branches throughout Canada, for consideration of approximately $231 million and is subject to post closing adjustments. The purchase was funded through the issuance of 1,240,000 Class C Limited Partnership units valued at $15.6 million, the assumption of certain liabilities plus cash on closing.

LONG-TERM DEBT

Effective January 31, 2010, the Fund accepted the terms and conditions of a proposed financing arrangement with HSBC Bank of Canada and a Banking Syndicate of 7 other banks. The proposed financing arrangement will provide for an increase in the fund's credit facility from $265 million to $400 million. The proposed financing arrangement is comprised of $80 million for operating debt, $45 million for letters of credit and the remainder ($275 million) for term debt. The proposed financing will assist in the asset purchase acquisition of Bluewave Energy and growth capital of the Fund.

SUPPLEMENTARY INFORMATION

Unaudited

	Three months ended December 31		Year ended December 31	
	2009	2008	**2009**	2008
Volume *(millions of litres)*				
Retail gas and diesel				
Sales to Dealer *(2)*	**223**	197	**897**	668
Sales to Consumer *(3)*	**137**	142	**545**	533
Retail Sub-total	**360**	339	**1,442**	1,201
Commercial				
Gasoline, Diesel and Heating Oil	**144**	102	**505**	404
Propane	**41**	45	**135**	147
Commercial Sub-total	**185**	147	**640**	551
Supply and Wholesale	**230**	214	**817**	740
Intersegment sales	**(47)**	(36)	**(157)**	(139)
Total fuel volume	**728**	664	**2,742**	2,353
Net sales and operating revenue *(millions of Canadian dollars)*				
Retail gas and diesel				
Sales to Dealer *(2)*	**168.0**	141.1	**640.3**	626.8
Sales to Consumer *(3)*	**109.3**	117.8	**415.3**	529.6
Retail Sub-total	**277.3**	258.9	**1,055.6**	1,156.4
Commercial				
Gasoline, Diesel and Heating Oil	**114.4**	83.8	**368.0**	398.9
Propane	**20.6**	20.9	**63.0**	79.7
Commercial Sub-total	**135.0**	104.7	**431.0**	478.6
Supply and Wholesale	**127.6**	148.1	**476.7**	676.5
Fuel sales	**539.9**	511.7	**1,963.3**	2,311.5
Convenience store merchandise sales	**8.6**	14.9	**48.7**	61.8
Commercial sales	**22.1**	23.5	**93.2**	92.4
Other revenue	**6.6**	11.3	**25.4**	20.0
Total gross sales and operating revenue	**577.2**	561.4	**2,130.6**	2,485.7
Intersegment sales	**(34.8)**	(36.9)	**(110.6)**	(137.6)
Total net sales and operating revenue	**542.4**	524.5	**2,020.0**	2,348.1

SUPPLEMENTARY INFORMATION

	Three months ended December 31		Year ended December 31	
	2009	2008	**2009**	2008
Gross profit	**56.5**	65.4	**249.1**	221.4
Less:				
Convenience store merchandise gross profit	**2.2**	3.8	**12.7**	16.2
Commercial sales gross profit	**8.3**	8.4	**28.7**	33.6
Other revenue gross profit *(1)*	**6.6**	11.3	**25.4**	20.0
Fuel gross profit	**39.4**	41.9	**182.3**	151.6
Cents per litre	**$ 0.0541**	$ 0.0630	**$ 0.0665**	$ 0.0645

Fuel gross profit *(millions of Canadian dollars)*				
Retail gas and diesel				
Sales to Dealer *(2)*	**10.0**	7.5	**39.0**	25.9
Sales to Consumer *(3)*	**14.2**	21.4	**62.2**	61.6
Retail Sub-total	**24.2**	28.9	**101.2**	87.5
Commercial				
Gasoline, Diesel and Heating Oil	**9.9**	4.1	**26.7**	14.7
Propane	**6.7**	7.5	**22.6**	22.8
Commercial Sub-total	**16.6**	11.6	**49.3**	37.5
Supply and Wholesale	**(2.6)**	16.3	**23.9**	38.7
FIFO Inventory Adjustment	**1.2**	(14.9)	**7.9**	(12.1)
Total fuel gross profit	**39.4**	41.9	**182.3**	151.6

(1) *Includes a YTD 2009 reclassification from fuel gross profit to other revenue of $3.5 million.*
(2) *Includes categories previously labeled retail branded distributorship and dealer operated buy/sell.*
(3) *Includes categories previously labeled company controlled and dealer operated commission.*

CORPORATE INFORMATION

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ANNUAL GENERAL MEETING
Monday, May 3, 2010
2:00 p.m. at the Red Deer Lodge
Hotel & Convention Centre
4311 - 49th Avenue
Red Deer, Alberta

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Corporate Controller

Shaun M. Peesker
Treasurer

R.G. Dean Mackey
Chief Privacy Officer

WHOLLY OWNED SUBSIDIARIES
0851738 B.C. Ltd.
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. Printed in Canada.

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