

Attention Business/Financial Editors:
Parkland reports fourth quarter and record fiscal year

Performance Highlights

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- Record annual earnings
- Record EBITDA - fourth consecutive year
- Completed a significant acquisition of the Neufeld companies
- Restarted a portion of the Bowden refinery
- Expanded the Retail Branded Distributorship (RBD) program
- Monthly distributions increased in December and January
- Special distribution at year end
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RED DEER, AB, March 6 /CNW/ - Parkland Income Fund today announced its business performance for the three months and year ended December 31, 2006. Annual volumes, revenue, earnings and EBITDA were all at record levels and allowed the Fund to increase monthly distributions to \$0.24 per unit and declare special distribution payments at year end.

President and CEO Mike Chorlton commented "Parkland's results in the fourth quarter were strong, albeit slightly below the record EBITDA set in the fourth quarter of 2005. We were able to increase monthly distributions for the third time in 2006 by a further 10 percent in December to \$0.22 per unit and declare an additional special distribution in December totaling \$2.25 per unit. We continue to be encouraged by increasing contributions from convenience store merchandise sales and other non-fuel revenues, along with the ongoing success of the Fas Gas Plus site improvement initiative. In December, we announced the major acquisition of the Neufeld companies of Grande Prairie, Alberta, which should add significantly to our earnings in 2007. With the completion of the acquisition on January 24, 2007, we further increased distributions to \$0.24 per unit."

Outlook

Margins in the first quarter of 2007 have returned to more seasonal levels and operations remained profitable. The acquisition of the Neufeld companies, expansion of the Esso distributorship in British Columbia and continued increases in non-fuel revenue are expected to provide substantial earnings in 2007. Management continues to assess acquisitions or alliances which will add accretive cash flow and unitholder value.

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Consolidated Operating and Financial Highlights
(Millions except per unit amounts)

	Three months ended			Twelve months ended		
	December 31			December 31		
	2006	2005	2004	2006	2005	2004
Fuel volumes (millions of litres)	386	297	258	1,501	1,177	1,101
Net sales and operating revenue	\$ 278.9	\$ 231.3	\$ 169.0	\$1,199.9	\$ 875.5	\$ 686.7
EBITDA	\$ 9.4	\$ 11.5	\$ 4.3	\$ 69.7	\$ 36.7	\$ 30.5
Net earnings (loss)	\$ 14.4	\$ 7.6	\$ (15.1)	\$ 58.6	\$ 25.0	\$ 4.0
Per unit						
- basic	\$ 1.12	\$ 0.59	\$ (1.20)	\$ 4.57	\$ 1.97	\$ 0.32
Per unit						
- diluted	\$ 1.10	\$ 0.59	\$ (1.19)	\$ 4.52	\$ 1.96	\$ 0.31

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Twelve Months Ended December 31, 2006

Higher fuel volumes, higher average fuel margins and increased convenience store sales and margins all contributed to higher gross margins in 2006. The \$45.2 million increase in gross margins was partially offset by a \$5.2 million increase in marketing, general and administrative expenses over 2005. Consistent with the increase in margins, EBITDA in 2006 increased by \$33 million or 89.9 percent over 2005. Net earnings before income taxes for the year of \$59.6 million were significantly higher than the \$27 million reported in 2005.

Fuel Volumes

Gasoline and diesel volumes increased by 324 million litres in 2006 to 1.5 billion litres, an increase of 27 percent. The Fund's station upgrade program was successful in driving increased retail volumes at existing sites while the addition of the RBD program led to increased volumes through the wholesale station network. Reseller volumes also increased to optimize utilization of supply contracts.

Sales and Cost of Sales

Net sales and operating revenue for the year ended December 31, 2006 were \$1.2 billion, an increase of 37 percent over the prior year. Fuel sales increased to \$1.14 billion from \$830.6 million in the prior year as a result of volume increases and higher average crude prices. Convenience store merchandise sales also increased with sales of \$59.6 million in 2006 as compared to \$45 million in 2005. Convenience store merchandise sales were up as a result of higher average sales per store and a larger number of stores in operation.

Fuel cost of sales and operating expenses increased to \$1.02 billion in 2006 as compared to \$750.5 million in 2005. Similar to fuel sales, cost of sales increased as a result of higher volumes and higher average per litre costs of fuel products. Fuel costs are generally driven by changes in the underlying cost of crude oil, which was on average six percent higher in 2006 than in the prior year. Convenience store merchandise cost of sales increased to \$44.1 million in 2006 from \$33.1 million in 2005, consistent with the increase in merchandise sales.

Gross Margins

The above noted factors led to aggregate gross margins of \$137.1 million in 2006, an increase of 49 percent over the \$91.9 million achieved in 2005. This increase was primarily driven by higher fuel margins and volumes and a \$3.7 million increase in convenience store margins. Overall, fuel margins on a per litre basis were also up 1.3 cents or 20.9 percent over the prior year.

Operating Expenses

Operating and direct costs are sensitive to changes in fuel volume sales and, as a result, total costs of \$47.3 million in 2006 were \$7.0 million higher than the prior year. The majority of this increase related to the addition of the Esso RBD sites. Also included in operating and direct costs for the 2006 calendar year are \$1.1 million for environmental remediation costs as compared to \$0.8 million in 2005. The Fund incurred \$2.9 million in maintenance expenses in 2006 related to service station upgrades and tank replacements.

Marketing, general and administrative expenses were \$20.0 million for the year ended December 31, 2006, an increase of 34 percent over 2005 expenses of \$14.9 million. A substantial portion of the increase related to variable compensation driven by Parkland's increased profitability in 2006. Other sources of increased costs included staffing levels required due to increased sales volume, higher labor costs that were experienced throughout western Canada, and consulting and professional fees related to special projects and studies.

Refinery Assets

Parkland conducted a major program of repairs to its storage tanks as well as some voluntary remediation at the Bowden refinery site during 2006. The cost of this program was approximately \$2.0 million, which was substantially completed in 2006. With this repair program complete, Parkland expects this operation to become profitable in 2007.

Capital Investments

During 2006 the Fund expended \$11.1 million in net capital investments, of which \$6.3 million was maintenance capital and \$4.8 million was growth capital. The classification of capital as growth or maintenance is a subjective determination of management as many of the Fund's capital projects have components of both. It is the Fund's policy to treat all capital related to service station upgrades (i.e. Fas Gas Plus) as maintenance capital even though it includes the expectation of a financial return, while the construction of a new building on an existing site is considered growth capital.

The primary components of maintenance capital in 2006 were \$2.8 million for service station upgrades, \$2.1 million for tank replacements, \$0.6 million for technology initiatives and \$0.8 million for trucks and trailers.

The 2006 growth capital related primarily to major upgrades at existing retail sites and the addition of two new service station sites.

Long-Term Debt

For the year ended December 31, 2006, interest on long-term debt was \$1.0 million which was \$0.2 million higher than the prior year. Debt levels have decreased while interest rates have increased, resulting in the modest increase in overall interest costs. Approximately 76 percent of the Fund's long-term debt bears interest at variable rates linked to prime.

At December 31, 2006, Parkland had available a \$32.0 million bank line of credit of which approximately \$24.7 million was taken up by letters of credit outstanding to major suppliers and fuel tax authorities. The credit facility

is secured by fixed and floating charges on all of Parkland's assets except those specifically pledged to other real estate lenders. The covenants relating to this facility provide for margin limits on accounts receivable and inventory values. The covenants also require that total debt to tangible net worth not exceed 1.75 to 1, that the current assets to current liabilities ratio be not less than 0.80 to 1, and that debt service coverage be not less than 1.2 to 1 on a rolling four quarter basis. Parkland is in compliance with all covenant terms.

Following the closing of the Neufeld acquisition, Parkland commenced negotiations to establish new credit facilities appropriate for the combined businesses.

During 2006 Parkland decreased its long-term debt by \$4.8 million as a result of normal repayment terms. At December 31, 2006, Parkland had \$1.7 million in long-term debt excluding current portions. Parkland classified \$10.1 million as current as the Fund intended to repay a significant portion with the proceeds of an equity issue completed in January 2007.

On January 24, 2007 Parkland completed an equity issue of 1.36 million units. The proceeds, which netted \$47 million, were used to repay \$10 million of long-term debt and \$37 million of the purchase price of the Neufeld companies.

Income Tax

In 2006 taxable income was \$58.3 million compared to \$27.1 million in 2005 after distributions to unitholders. The Fund retained \$2.1 million of taxable income in 2006 within corporate subsidiaries, resulting in a current income tax provision of \$1.0 million. This compares to the \$3.2 million that was retained in 2005. The income tax provision results from retaining funds as a cash reserve to pursue attractive investment opportunities.

Working Capital

Parkland's working capital at December 31, 2006 remained strong at \$12.4 million as compared to \$2.1 million at December 31, 2005. The cash balance at December 31, 2006 of \$36.5 million increased from the December 31, 2005 balance of \$8.3 million as a result of \$68.2 million of funds flow from operations, an increase of \$33.9 million compared to 2005. Assuming normal seasonal trends, it is expected the Fund will use current cash flow to finance distributions in the first quarter of 2007.

Related Party Transactions

During the year, the Fund incurred fees for legal services, including costs related to an acquisition, by a law firm of which a Director is a partner. These fees totaled \$0.4 million in 2006 and \$0.2 million in 2005.

Three Months Ended December 31, 2006

The 2006 results showed net earnings before tax decreased to \$6.7 million from \$8.8 million in 2005 and EBITDA decreased to \$9.4 million from \$11.5 million. The fourth quarter of 2005 was impacted significantly by weather related supply issues which led to very strong margins during that period.

Fuel Volumes

Gasoline and diesel volumes increased by 89 million litres in the fourth quarter of 2006 to 386 million litres, an increase of 30 percent. This substantial increase in fuel volume was due in large part to the expanded RBD program.

Sales and Cost of Sales

Net sales and operating revenue for the quarter ended December 31, 2006 were \$278.9 million, an increase of 20.5 percent or \$47.5 million over the same quarter in 2005. Fuel sales revenue increased to \$263.7 million from \$219.8 million in the prior year, an increase of 20 percent, as a result of volume increases. Convenience store merchandise sales also increased with sales of \$15.2 million in 2006 as compared to \$11.5 million in 2005, an increase of 32 percent.

Fuel cost of sales increased to \$239.5 million in 2006 as compared to \$196.1 million in 2005. Similar to sales revenue, cost of sales increased as a result of higher volumes. Convenience store merchandise cost of sales increased to \$11.3 million in 2006 from \$8.5 million in 2005, consistent with the increase in merchandise sales.

Gross Margins

The above noted factors led to aggregate gross margins of \$28 million in the fourth quarter of 2006, which was \$1.2 million higher than the \$26.8 million achieved in the same period in 2005. Gross margin decreased to 5.5 cents per litre compared to 7.4 cents per litre in the fourth quarter of 2005. The gross margin on convenience store merchandise sales decreased to 25.3 percent in 2006 from 26.2 percent in the same quarter of 2005.

Operating Expenses

Operating and direct costs increased to \$12.4 million in the quarter ended December 31, 2006 compared to \$10.6 million in 2005. Site operating costs are sensitive to changes in fuel volume sales and, as a result, total costs were higher than the prior year. However, operating and direct costs for the quarter only increased 17 percent from 2005 compared to the 30 percent increase in fuel volumes for the same period.

Marketing, general and administrative expenses were \$6.2 million for the quarter ended December 31, 2006 compared to \$4.7 million in 2005.

Income Tax

At September 30, 2006 taxable income was significantly greater than distributions made to unitholders to date. A tax provision of \$8.6 million was recorded at the time. An increase in monthly distributions combined with a special distribution at December 29, 2006 of \$2.25 per unit reduced taxable income considerably and caused the Fund to record a \$7.7 million income tax recovery in the quarter. As a result, net earnings were \$14.4 million while EBITDA was \$9.4 million.

On December 21, 2006, the Minister of Finance released for comment draft legislation concerning the taxation of certain publicly traded trusts and partnerships. Under the proposed legislation, certain distributions will not be deductible to publicly traded income trusts and partnerships with the exception of real estate investment trusts and, as a result, these entities will in effect be taxed as corporations on the amount of the non-deductible distributions. For entities in existence on October 31, 2006, the proposed rules, if passed into law, would not apply until 2011 provided the entities meet certain qualifying conditions. The Fund believes it meets the qualifying conditions.

Capital Investments

During the fourth quarter the Fund expended \$2.8 million net in capital investments, of which \$1.9 million was classified as maintenance capital and \$0.9 million was classified as growth capital. Amortization for the quarter was \$2.2 million compared to \$1.7 million in 2005.

Long-Term Debt

For the quarter ended December 31, 2006 interest on long-term debt was \$0.3 million. Parkland decreased its long-term debt by \$1.1 million during the quarter as a result of normal repayment terms.

Cash Balance

Funds flow from operations for the quarter increased to \$17.0 million compared to \$10.1 million in 2005 largely due to the increase in quarterly after tax earnings. The significant accumulation of cash that occurred during the third quarter of 2006 reversed itself in the fourth quarter due to a net cash outflow of \$35.7 million from changes in non-cash working capital. This compares to a net cash outflow of \$3.7 million in non-cash working capital in the fourth quarter of 2005.

Distributions paid to unitholders resulted in a cash outflow of \$8.6 million during the quarter in 2006 compared to \$5.5 million in 2005. An additional \$15.8 million of cash distributions were paid out in January 2007 on account of the special distribution declared to holders of record December 29, 2006.

Distributions

At the beginning of 2006 monthly distributions were \$0.17 per unit. This was increased on June 15, 2006 to \$0.18, September 15, 2006 to \$0.20, December 15 to \$0.22 and February 15, 2007 to \$0.24. Additional special distributions totaling \$2.25 per unit were also declared for holders of record at December 29, 2006. Total distributions in 2006 were \$56.2 million of which \$15 million were paid in units. Total distributions in 2005 were \$23.9 million, all of which was paid in cash.

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Cash Available for Distribution and Reconciliation of EBITDA to Cash from

Operating Activities

\$000's	For the three month period ended				For the year ended
	March 31, 2006	June 30, 2006	September 30, 2006	December 31, 2006	December 31, 2006
Cash from operating activities	13,208	24,412	51,336	(18,708)	70,248
Net changes in non-cash working capital	(5,253)	(183)	(32,318)	35,712	(2,042)
Funds flow from operations	7,955	24,229	19,018	17,004	68,206
Add back (deduct)					
Interest on long-term debt	250	242	218	334	1,044
Unit incentive compensation	(48)	(93)	(101)	(99)	(341)

Accretion expense	(15)	(15)	(15)	(15)	(60)
Current taxes	44	(6)	8,523	(7,779)	782
Asset retirement obligation expenditures	-	-	40	-	40
EBITDA	8,186	24,357	27,683	9,445	69,671
Maintenance capital expended	(497)	(2,336)	(1,730)	(1,733)	(6,296)
Current taxes and interest	(294)	(236)	(8,741)	7,445	(1,826)
Cash available for distribution	7,395	21,785	17,212	15,157	61,549
Distributions paid in cash	6,320	6,590	7,223	21,075	41,208
Distributions paid in units				14,963	14,963
Total Distributions	6,320	6,590	7,223	36,038	56,171

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The Directors review distributions quarterly giving consideration to current performance, historical and future trends in the business and the expected sustainability of those trends, as well as maintenance capital requirements to sustain performance.

This report contains references to certain financial measures that do not have any standardized meaning prescribed by Canadian Generally Accepted Accounting Principles (GAAP) and may not be comparable to similar measures presented by other companies or trusts. These measures are provided to assist investors in determining the Fund's ability to generate cash from operations and to provide additional information regarding the use of its cash resources. These financial measures are identified and defined below:

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- "EBITDA" means earnings before Interest Expense, Income Taxes, Depreciation and Amortization, Loss on Disposal of Capital Assets and Loss on the Writedown of the Refinery
- "Growth Capital Expenditures" include amounts incurred to add new facilities or services.
- "Maintenance Capital Expended" refers to capital expenditures required to maintain existing levels of service and includes the cost of refurbishment of existing assets.
- "Cash Available for Distribution" is defined in the Fund's Trust Deed and is calculated as EBITDA, less maintenance capital expenditures, current taxes and interest.
- "Funds Flow From Operations" is cash from operating activities plus/minus changes in non-cash working capital related to operating activities.

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Distribution Reinvestment Plan

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

Fund Description

Parkland Income Fund operates retail and wholesale fuels and convenience store businesses under its Fas Gas Plus, Fas Gas, Race Trac Fuels and Short Stop Food Stores brands and through independent branded dealers, and transports fuel through its Petrohaul division. With over 550 locations, Parkland has developed a strong market niche in western and northern Canadian non-urban markets. Through Neufeld Petroleum and Propane the Fund markets propane, gasoline, diesel, lubricants, industrial fluids, agricultural inputs and delivery services to commercial and industrial customers in Northern Alberta, Northeastern British Columbia and the Northwest Territories. To maximize value for its unitholders, the Fund is focused on the continuous refinement of its retail portfolio, increased revenue diversification through growth in non-fuel revenues and active supply chain management. Parkland operates the Bowden refinery near Red Deer, Alberta producing drilling fluids on a contract basis.

The Fund is an unincorporated open-ended limited purpose trust established under the laws of the Province of Alberta. The Fund, together with the limited partnership that issued the exchangeable LP Units, own, indirectly, securities which collectively represent the right to receive cash flow available for distribution from the business operated by Parkland Industries Limited Partnership, after current taxes, debt service payments, maintenance capital expenditures and other cash requirements.

The Fund's units trade on the Toronto Stock Exchange (TSX) under the symbol PKI.UN. For more information, visit www.parkland.ca.

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", "anticipates", "estimates", "continues", or similar words. 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 the Fund'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 the Fund'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 the Fund 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.

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Conference Call

Parkland will hold a conference call for Analysts, Brokers and Investors to discuss fourth quarter and annual results as follows:

Wednesday, March 7, 2007, 9:00 a.m. (11:00 a.m. Eastern Time)

Direct: 416-644-3423

Toll-free: 800-733-7571

The replay will be available as follows:

From Wednesday March 7, 2007, 12:00 p.m. (2:00 p.m. Eastern Time)

To Thursday, March 22, 2007 at 9:59 p.m. (11:59 p.m. Eastern Time)

Direct: 416-640-1917

Toll-free: 877-289-8525

Passcode: 21216160 followed by the number sign

Webcast:

[http://www.newswire.ca/en/webcast/viewEvent.cgi?eventID\(equal sign\)1698180](http://www.newswire.ca/en/webcast/viewEvent.cgi?eventID(equal%20sign)1698180)

Parkland Income Fund
Consolidated Balance Sheet

(\$000's)	December 31, 2006	December 31, 2005
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Assets		
Current Assets		
Cash and cash equivalents	\$ 36,462	\$ 8,290
Accounts receivable	40,294	34,253
Inventories	20,351	18,962
Prepaid expenses and other	3,874	1,570
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	100,981	63,075
Capital assets (Note 2)	68,541	66,454
Other	1,499	1,859
Future income taxes (Note 7)	1,438	1,631
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	\$ 172,459	\$ 133,019
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Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 62,124	\$ 49,669
Distributions declared and payable	15,842	3,342
Income tax payable	459	1,138
Long-term debt - current portion (Note 5)	10,145	6,862
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	88,570	61,011
Long-term debt (Note 5)	1,651	9,749
Refinery remediation accrual (Note 3)	3,038	3,038
Asset retirement obligations (Note 4)	1,140	1,120
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	94,399	74,918
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Unitholders' Capital (Note 6)		
Class B Limited Partners' Capital	12,310	13,055
Unitholders' Capital	65,750	45,046
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	78,060	58,101
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	\$ 172,459	\$ 133,019
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Parkland Income Fund
Consolidated Statement of Earnings and Retained Earnings

For the years ended (\$000's except per unit amounts)	December 31, 2006	December 31, 2005
Net sales and operating revenue	\$ 1,199,866	\$ 875,539
Cost of sales and operating expenses	1,062,809	783,615
Gross margin	137,057	91,924
Expenses		
Operating and direct costs	47,342	40,338
Marketing, general and administrative	20,044	14,885
Amortization	8,453	8,077
Interest on long-term debt	1,044	873
Loss on disposal of capital assets	608	727
	77,491	64,900
Earnings before income taxes	59,566	27,024
Income tax expense (Note 7)		
Current	782	1,726
Future	193	329
	975	2,055
Net earnings	\$ 58,591	\$ 24,969
Retained earnings, beginning of year	-	-
Allocation to Class B Limited Partners (Note 6)	(13,581)	(6,859)
Allocation to Unitholders (Note 6)	(45,010)	(18,110)
Retained earnings, end of year	\$ -	\$ -
Net earnings per unit (Note 1)		
- basic	\$ 4.57	\$ 1.97
- diluted	\$ 4.52	\$ 1.96
Units outstanding (Note 6)	12,861	12,338

Parkland Income Fund
Consolidated Statement of Cash Flows

For the years ended (\$000's)	December 31, 2006	December 31, 2005

Cash Provided By Operations		
Net earnings	\$ 58,591	\$ 24,969
Add (deduct) non-cash items		
Amortization	8,453	8,077
Loss on disposal of capital assets	608	727
Unit incentive compensation (Note 6)	341	181
Accretion expense	60	60
Asset retirement obligation expenditures	(40)	-
Future taxes	193	329

Funds flow from operations	68,206	34,343
Net changes in non-cash working capital (Note 10)	2,042	(1,366)

Cash from operating activities	70,248	32,977

Financing Activities		
Long-term debt repayments	(4,815)	(4,483)
Distributions to Class B Limited Partners	(12,934)	(6,761)
Distributions to Unitholders	(28,274)	(17,111)
Fund units issued	2,235	1,799
Proceeds from long-term debt	-	3,458
Net changes in non-cash working capital (Note 10)	12,500	1,833

Cash used for financing activities	(31,288)	(21,265)

Investing Activities		
Recovery in other assets	360	242
Purchase of capital assets	(12,846)	(8,812)
Proceeds on sale of capital assets	1,698	224
Refinery remediation expenditures	-	(362)

Cash used for investing activities	(10,788)	(8,708)

Increase in cash	28,172	3,004
Cash and cash equivalents, beginning of year	8,290	5,286

Cash and cash equivalents, end of year	\$ 36,462	\$ 8,290

Parkland Income Fund
Notes to Consolidated Financial Statements

December 31, 2006

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

Significant Accounting Policies

Basis of Presentation

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

Principles of Consolidation

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

The LP Units are, to the greatest extent possible, the economic equivalent to a Unit in the Fund. They are exchangeable by the holder on a one-for one basis into Units in the Fund until June 28, 2008. In certain circumstances, and at any time after June 30, 2008, the Fund may compel the exchange of the LP Units. As such, the LP Units are treated as being equivalent to Fund Units.

Use of Estimates

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

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

Inventories

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

Amortization

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

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

Income Taxes

Income earned directly by the Limited Partnership is not subject to income taxes as its income is taxed directly to the Limited Partnership unitholders. Income earned in the Fund and distributed to the Fund unitholders is taxed directly to the Fund unitholders. Income taxes

incurred by taxable entities controlled by the Fund are accounted for using the future method. Under this method, the Fund recognizes a future tax liability whenever recovery or settlement of the carrying amount of an asset or liability would result in future income tax outflow. Similarly, the Fund recognizes a future income tax asset whenever recovery or settlement of the carrying amount of an asset or liability would generate future income tax reductions.

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

Asset Retirement Obligations

The estimated future costs to remove underground fuel storage tanks at locations where the Fund has a legal obligation to remove these tanks 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.

Long-Term Debt

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

Earnings Per Unit

Basic earnings per unit are calculated on the weighted average number of units outstanding for the period. Diluted earnings per unit are calculated by application of the Treasury Stock Method. Under this method, the diluted number of units are calculated based upon the weighted average number of units outstanding for the period plus the dilutive effect of the exercise of those employee options which were "in-the-money" during the period. Special distributions to unitholders in the form of additional units are recorded at the declaration date. The computation of earnings per unit for prior years are retroactively restated to reflect the change in units as a result of special distributions in the form of new units issued.

Revenue

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

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.

Prior Year Numbers

Certain prior year numbers have been restated to conform with current year presentation.

1. Earnings Analysis and Earnings Per Unit

	2006		2005	
Net earnings	\$	58,591	\$	24,969
Earnings per unit				
- basic	\$	4.57	\$	1.97
- diluted	\$	4.52	\$	1.96
Equivalent units outstanding, beginning of year		12,727		12,610
Weighted average of equivalent units issued pursuant to distribution reinvestment plan		15		18
Weighted average of equivalent units issued pursuant to exercise of unit options		83		61
Denominator utilized in basic earnings per unit		12,825		12,689
Incremental equivalent units outstanding that were "in-the-money"		138		67
Denominator utilized in diluted earnings per unit		12,963		12,756

Equivalent units outstanding at January 1, 2005 has been restated for the retroactive change resulting from the special distribution of units on December 29, 2006.

2. Capital Assets

December 31, 2006	Cost	Accumulated Amortization	Net Book Value
Land	\$ 13,069	\$ -	\$ 13,069
Land improvements	6,940	2,278	4,662
Buildings	24,738	10,530	14,208
Assets under capital lease	14,038	7,996	6,042
Equipment	63,420	32,860	30,560
	\$ 122,205	\$ 53,664	\$ 68,541

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

3. Refinery Remediation Accrual

In December 2004, the Fund reduced 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.

During 2006 the Fund entered into a custom processing agreement to toll produce fluids used in the oilfield. The commercial agreement is multi year and utilizes a portion of the processing units at the refinery. The Fund is continuing to pursue other economically viable uses for the remaining processing units at the refinery and therefore any decision to dismantle, remediate and sell the refinery site has been deferred indefinitely. The 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 cost of remediation on the basis that the refinery will become fully operational and that remediation would be part of a multi year management plan. Remediation costs have been estimated by taking into account an extended time frame for remediation, the likely escalation of future costs of goods and services offset by the time value discount inherent in a deferred time frame and technology developments available to assist in remediation.

4. Asset Retirement Obligations

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

	2006	2005
Asset retirement obligations, beginning of year	\$ 1,120	\$ 1,043
Additions during the year	-	17
Expenditures during the year	(40)	-
Accretion expense	60	60
Asset retirement obligations, end of year	\$ 1,140	\$ 1,120

On an undiscounted basis, the estimated liability is \$1.5 million (2005 - \$1.5 million) with costs expected to be incurred between 2007 and 2019. The discount rate is 6.9 percent (2005 - 6.9%).

5. Long-Term Debt

	2006	2005

Bank loans secured by an assignment of accounts receivable, inventories and demand debentures creating a first fixed charge over specific fixed assets and a floating charge upon all other assets. The loans are repayable in monthly instalments of \$103,768 including interest at prime plus 0.35 percent. The effective interest rate at year end was 6.35 percent (2005 - 5.35 percent). The loans were paid in full in January 2007.	\$ 4,029	\$ 5,448
Mortgages payable in monthly instalments totaling \$122,346 including interest. Interest rates vary from 5.15 percent to 8.5 percent and prime plus 0.7 percent to prime plus 0.8 percent per annum. The effective rates of interest at year end for the prime based loans were 6.7 percent to 6.8 percent (2005 - 5.7 percent to 5.8 percent). The mortgages are secured by real properties with a net book value of \$8,907,000 and mature at various dates ending May 7, 2009. Mortgages totaling \$2.8 million were paid in full January 2007.	3,238	4,462
Capital leases payable in monthly instalments totaling \$188,114 including interest varying from 4.54 percent to 16.34 percent and prime plus 0.35 percent per annum. The effective rate of interest at year end for the prime based lease was 6.35 percent (2005 - 5.35 percent). The leases are for land, buildings and equipment with a net book value of \$6,043,988 and mature at various dates ending July 2022. Capital leases totaling \$3.1 million were paid in full January 2007.	4,529	6,701
	11,796	16,611
Less current portion	10,145	6,862
	\$ 1,651	\$ 9,749

The Fund has outstanding letters of credit totaling \$24.7 million (2005 - \$25.7 million) which mature at various dates to October 31, 2007.

For 2006 the Fund has available lines of credit of \$32.0 million, subject to margin calculations. The outstanding letters of credit are considered a part of this facility.

6. Unitholders' Capital

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

Fund Units represent an undivided interest in the Fund. LP Units represent a partnership interest in Parkland Holdings Limited Partnership and are exchangeable on a one-for-one basis in to 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.

	2006		2005	
	Number of Units	Amount	Number of Units	Amount

Class B Limited Partnership				
Units				
Balance, beginning of year	2,908	\$ 13,055	4,307	\$ 18,833
Allocation of retained earnings	-	13,581	-	6,859
Distribution to partners	-	(12,934)	-	(6,761)
Exchanged for Fund units	(53)	(1,392)	(1,399)	(5,876)

Balance, end of year	2,855	\$ 12,310	2,908	\$ 13,055

Fund Units				
Balance, beginning of year	9,430	\$ 45,046	7,914	\$ 36,191
Allocation of retained earnings	-	45,010	-	18,110
Unit incentive compensation	-	341	-	181
Issued under distribution reinvestment plan	21	491	32	661
Issued under unit option plan	113	1,744	85	1,138
To be issued to unitholders pursuant to special distribution	389	14,963	-	-
Distribution to unitholders	-	(43,237)	-	(17,111)
Exchange of Limited Partnership units	53	1,392	1,399	5,876

Balance, end of year	10,006	\$ 65,750	9,430	\$ 45,046

	12,861	\$ 78,060	12,338	\$ 58,101

Unit Option Plan

The Fund has a Unit Option Plan under which the Fund may grant up to 1,200,000 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, 2006 and 2005 and the changes therein for the years then ended:

	2006		2005	
	Number of Unit Options	Weighted Average Exercise Price	Number of Unit Options	Weighted Average Exercise Price
Option units, beginning of year	550	\$ 18.09	438	\$ 15.26
Granted	-	-	280	21.38
Cancelled	(28)	21.03	(83)	19.02
Exercised	(113)	15.54	(85)	13.45
Option units, end of year	409	\$ 18.59	550	\$ 18.09
Exercisable options, end of year	271	\$ 16.75	129	\$ 15.28

Exercise prices for outstanding options at December 31, 2006 have the following ranges: 94,300 from \$12.45 - \$15.71, 115,337 from \$17.62 - \$18.97 and 199,668 from \$20.05 - \$21.80. These issue prices represent the market value at the time of issue.

The corresponding remaining contractual life for these options range from 6 - 9 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 \$0.5 million (2005 - \$0.6 million). The compensation cost that has been included in marketing, general and administrative expenses for 2006 is \$0.2 million (2005 - \$0.2 million).

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

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

Restricted Unit Plan

Effective January 1, 2006, the Fund adopted a Restricted Unit Plan to complement the Unit Option Plan. A maximum of 617,028 units was allocated to this Plan. Under the Plan the units granted in 2006 vest over a five year period and are subject to entity performance criteria.

The table below represents the status of the Fund's Restricted Unit Plan as at December 31, 2006 and the changes therein for the year then ended:

	Number of Units (000's)	Weighted Average Unit Price
Restricted units, beginning of year	-	\$ -
Granted	46	19.80
Cancelled	(2)	19.65
Restricted units, end of year	44	\$ 19.81

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 is \$0.8 million. The compensation cost that has been included in marketing, general and administrative expenses for 2006 is \$0.2 million.

7. Income Taxes

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

	2006		2005	
	\$	%	\$	%
Provision for income taxes at statutory rates	\$ 19,353	32.49	\$ 9,085	33.62
Add (deduct) the tax effect of :				
Income earned in limited partnership	(18,560)	(31.16)	(7,697)	(28.48)
Large corporation/capital taxes	89	0.15	623	2.30
Other	93	0.16	44	0.16
	\$ 975	1.64	\$ 2,055	7.60

Capital assets and inventory held directly by the Limited Partnership, having carrying values of \$54.0 million (2005 - \$51.6 million) and \$6.3 million (2005 - \$5.9 million), have a tax basis of \$51.7 million (2005 - \$46.7 million) and \$9.1 million (2005 - \$8.3 million) respectively.

Future income tax assets amounting to \$1.4 million (2005 - \$1.6 million) relate to the difference in carrying value of the refinery assets to the tax basis. The refinery assets are held by Parkland Refining Ltd., a wholly owned subsidiary of the Fund, and were written off in 2004.

On December 21, 2006, the Minister of Finance released for comment draft legislation concerning the taxation of certain publicly traded trusts and partnerships. The legislation reflects proposals originally announced by the Minister on October 31, 2006. Under the proposed legislation, certain distributions will not be deductible to publicly traded income trusts and partnerships with the exception of real estate investment trusts and, as a result, these entities will in effect be taxed as corporations on the amount of the non-deductible distributions. For entities in existence on

October 31, 2006, the proposed rules, if passed into law, would not apply until 2011 provided the entities meet certain qualifying conditions. The Fund believes it meets the qualifying conditions.

8. Commitments

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

2007	\$ 2,126
2008	\$ 1,828
2009	\$ 1,046
2010	\$ 522
2011	\$ 336
Thereafter	\$ 782

The Fund also has purchase commitments under its fuel supply contracts that require the purchase of approximately 1.6 billion litres of fuel products at variable costs over the next year.

9. Financial Instruments

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

	2006		2005	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Mortgages payable	\$ 3,238	\$ 3,228	\$ 4,462	4,465
Capital lease obligations	4,529	4,575	6,701	6,735
Mortgages and loans receivable	1,393	1,495	1,930	1,822

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

The Fund does not have a significant credit exposure to any individual customer. The Fund reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance.

Mortgages and loans receivable are receivable in monthly instalments of \$38,787 (2005 - \$31,368), bear interest at rates ranging between nil and 13 percent and are secured by specific assets of the mortgage.

10. Net Changes in Non-Cash Working Capital

	2006	2005

Accounts receivable	\$ (6,041)	\$(12,330)
Inventories	(1,389)	(989)
Prepaid expenses and other	(2,304)	(48)
Accounts payable	12,455	10,863
Income taxes payable	(679)	1,138

Subtotal for operating activities	\$ 2,042	\$ (1,366)

Distributions declared and payable	\$ 12,500	\$ 1,833

Other cash flow information		
Cash taxes paid	\$ 1,461	\$ 588

Cash interest paid	\$ 1,044	\$ 873

11. Segmented Information

The Fund's operations are predominantly in fuel marketing in Western Canada. In recent years the Fund initiated operations in the convenience store industry. The convenience stores have been integrated into fuel marketing properties already owned by the Fund and all continue to market transportation fuels. Due to the amount of common operating and property costs it is not practical to report these segments below their respective gross margins.

	Fuel Marketing	Merchandise	Total

Year ended December 31, 2006			
Net sales and operating revenue	\$ 1,140,242	\$ 59,624	\$ 1,199,866
Cost of sales	1,018,692	44,117	1,062,809

Gross margin	\$ 121,550	\$ 15,507	\$ 137,057

Year ended December 31, 2005			
Net sales and operating revenue	\$ 830,569	\$ 44,970	\$ 875,539
Cost of sales	750,501	33,114	783,615

Gross margin	\$ 80,068	\$ 11,856	\$ 91,924

The segregation of capital expenditures and total assets is not practical as the reportable segments operate from the same location.

12. Subsequent Events

Acquisition of Neufeld Petroleum & Propane Ltd and Neufeld Holdings Ltd.

On January 24, 2007, the Fund closed the acquisition of all the outstanding shares of Neufeld Petroleum & Propane Ltd and Neufeld Holdings Ltd ("Neufeld Petroleum"), a leading fuel, propane and agricultural inputs supplier in Western Canada, for consideration of approximately \$131 million. The purchase was funded through the issuance of 1,565,694 Class C Limited Partnership units valued at \$58.3 million, an equity financing of \$50 million, the assumption of debt and from existing cash on hand. The effective date on the transaction was November 1, 2006 and the interim earnings to January 24, 2007 will be credited to the purchase price.

Equity Financing

On January 24, 2007, the Fund and a syndicate of underwriters closed a bought deal equity financing pursuant to which the syndicate sold 1,360,000 units of the Fund for gross proceeds of \$50 million (\$36.75 per unit). All conditions of the offering were satisfied and the proceeds were released to the Fund.

Long-Term Debt

In January 2007, the Fund paid off \$9.9 million of long-term debt from proceeds of the equity financing. On January 26, 2007, \$3.0 million of long-term debt was refinanced under similar terms and conditions.

In January 2007, the Fund accepted the terms and conditions of a proposed financing arrangement with HSBC Bank Canada. The proposed financing arrangement will provide for an increase in the Fund's credit facility from \$54 million to \$128.1 million. The proposed financing arrangement is comprised of \$32 million for operating debt, \$30 million for letters of credit and the remainder for term debt. The proposed financing will assist in the refinancing of existing debt of Neufeld Petroleum and finance growth opportunities in 2007.

In February 2007, the Fund paid off \$19.0 million of working capital debt of Neufeld Petroleum using the Fund's existing cash on hand.

13. Related Party Transactions

The following table summarizes the Fund's related party transactions:

	2006	2005
Fees for legal services, including costs related to an acquisition, by a law firm of which a Director is a partner	\$ 438	\$ 177

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.

Parkland Income Fund
Supplementary Information

	Three months ended December 31			Year ended December 31		
	2006	2005	2004	2006	2005	2004

Volume (millions of litres)						
Retail	137	124	123	527	497	488
Wholesale	249	173	134	974	680	612

Total volume	386	297	257	1,501	1,177	1,100

Net sales and operating revenue (\$'000's)						
Retail						
fuel	\$ 102,311	\$ 67,774	\$ 83,762	\$ 433,495	\$ 353,786	\$ 321,025
Wholesale						
fuel	161,386	152,066	75,120	706,747	476,783	327,582

Fuel						
sales	263,697	219,840	158,882	1,140,242	830,569	648,607
Merch- andise						
sales	15,179	11,540	10,047	59,624	44,970	38,051

Total net sales and oper- ating revenue	278,876	231,380	168,929	1,199,866	875,539	686,658

Gross margin	28,009	26,811	17,754	137,057	91,923	82,892

Less:						
Merch- andise gross margin	3,833	3,023	2,648	15,507	11,856	9,888
Non fuel revenue included in gross margin	3,118	1,738	1,508	8,824	7,014	5,291

Fuel gross margin	\$ 21,058	\$ 22,050	\$ 13,598	\$ 112,726	\$ 73,053	\$ 67,713

Cents per litre	\$ 0.0546	\$ 0.0742	\$ 0.0529	\$ 0.0751	\$ 0.0621	\$ 0.0616
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Merch- andise cost of sales	11,346	8,517	7,399	44,117	33,114	28,163
Fuel cost of sales	239,521	196,052	143,776	1,018,692	750,502	575,603

Station
counts:

Retail						
Fas Gas				94	111	133
Fas Gas Plus				91	95	78
Esso				6	115	-
				191	321	211

Wholesale						
Race Trac Fuels				188	215	222
Fas Gas Plus				16	-	-
Esso				170	-	-
				374	215	222

Total stations				565	536	433
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