

Parkland reports record fourth quarter and fiscal year

Performance Highlights in 2005

- Record volumes
- Record EBITDA - 3rd consecutive year
- Esso RBD commenced
- Monthly distributions increased
- Special distribution at year end
- Payout ratio of 81%

RED DEER, AB, Feb. 28 /CNW/ - Parkland Income Fund today announced its business performance for the three months ended December 31, 2005. Fourth quarter and annual volumes, revenue, earnings and EBITDA were all at record levels and allowed the Fund to increase monthly distributions to \$0.17 per unit and declare a special distribution at year end.

President and CEO Mike Chorlton commented "Parkland's results in the fourth quarter showed great improvement over the prior year and prompted us to increase monthly distributions by 13 percent in November and declare an additional special distribution of \$0.10 in December. 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. However, we note that the strong results were partially the result of weather related supply issues early in the quarter and that margins have subsequently returned to more normal seasonal levels."

The Fund is pleased to announce that monthly distributions will continue at the rate of seventeen cents (\$0.17) per trust unit.

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Consolidated Operating and Financial Highlights

	Three Months Ended			Twelve Months Ended		
	December 31			December 31		
	2005	2004	2003	2005	2004	2003

Sales Volumes,						
Refined Products	297	258	263	1,177	1,101	1,039
(Millions of Litres)						
Revenue (Millions)	\$ 231.3	\$ 169.0	\$ 134.2	\$ 875.5	\$ 686.7	\$ 567.2
EBITDA* (Millions)	\$ 11.5	\$ 4.3	\$ 4.4	\$ 36.7	\$ 30.5	\$ 29.0
Net Earnings (Loss)						
(Millions)	\$ 7.6	\$ (15.1)	\$ 2.2	\$ 25.0	\$ 4.0	\$ 20.3
Per Unit - Basic	\$ 0.62	\$ (1.24)	\$ 0.18	\$ 2.03	\$ 0.33	\$ 1.67
Per Unit - Diluted	\$ 0.61	\$ (1.24)	\$ 0.18	\$ 2.02	\$ 0.32	\$ 1.66

* EBITDA is not a defined measure under Canadian Generally Accepted Accounting Principles (GAAP). In this document, EBITDA means earnings before Interest Expense, Income Taxes, Depreciation and Amortization. Parkland's definition of EBITDA may not be consistent with other issuers of financial information.

Three Months Ended December 31, 2005

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

Twelve Months Ended December 31, 2005

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

Gasoline and diesel volumes increased by 76 million litres in 2005 to 1.2 billion litres. The Fund's station upgrade program was successful in driving increased retail volumes from existing sites while the addition of the Esso sites led to increased volumes through the wholesale station network. Reseller volumes also increased to optimize utilization of supply contracts.

Sales for the year ended December 31, 2005 were \$ 875.5 million, an increase of 28 percent over the prior year. Fuel sales revenue increased to \$830.6 million from \$648.6 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 \$45.0 million in 2005 as compared to \$38.1 million in 2004. Convenience store merchandise sales were up as a result of all stores being open for the entire year, higher average sales per store and increased retail margins.

Fuel cost of sales increased to \$750.5 million in 2005 as compared to \$575.6 million in the year ended December 31, 2004. Similar to sales revenue, cost of sales increased as a result of higher volumes and higher average per litre costs of fuel products. Fuel costs are generally driven by changes in the underlying cost of crude oil, which was on average 30% higher in 2005 than in the prior year. Convenience store merchandise cost of sales increased to \$33.1 million in 2005 from \$28.2 million in 2004, consistent with the increase in merchandise sales.

These factors led to gross margins of \$91.9 million in 2005, which was \$9.0 million higher than the \$82.9 million achieved in 2004. This increase was primarily driven by a \$2.0 million increase in convenience store margins and higher fuel volumes. Overall fuel margins on a per litre basis were also up 3 percent over the prior year.

Marketing, general and administrative expenses were \$55.2 million for the year ended December 31, 2005, an increase of 5.5 percent over 2004 expenses of \$52.4 million. Drivers of increased costs included variable fuel marketing costs, which rose on a per litre basis and in conjunction with higher fuel volumes, and higher convenience store operating costs related to all stores being open for the entire year. The Fund incurred \$1.5 million in maintenance

expenses in 2005 related to the Fas Gas Plus upgrade program, as compared to \$2.0 million in 2004.

During 2005 the Fund expended \$8.6 million in net capital investments, of which \$4.5 million was classified as maintenance capital and \$4.1 million was classified as growth capital. The classification of capital as growth or maintenance is a subjective determination by 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 2005 were \$1.6 million for Fas Gas Plus upgrades, \$0.7 million for tank replacements and \$0.6 million for technology initiatives.

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

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

In 2005 the Fund retained \$3.2 million of taxable income within corporate subsidiaries, resulting in a current income tax provision of \$1.1 million in addition to capital taxes of \$0.6 million. In 2004, Parkland recorded a future income tax recovery of \$8.7 million related to the writedown of the refinery assets. The 2005 provision results from retaining funds as a cash reserve to pursue attractive investment opportunities.

Parkland's working capital remained stable at \$2.1 million at December 31, 2005 as compared to \$1.9 million at December 31, 2004. The cash balance at December 31, 2005 of \$8.3 million has increased from the December 31, 2004 balance of \$5.3 million and the Fund also has available a \$28 million line of credit to provide letters of credit to secure obligations and fund short-term cash flow needs. Assuming normal seasonal trends, it is expected the Fund will use current cash balances to finance distributions in the first quarter of 2006.

During the year ended December 31, 2005 Parkland decreased its long-term debt by \$1.0 million as a result of normal repayment of existing term debt offset by new debt and capital leases. At December 31, 2005 Parkland had \$9.7 million in long-term debt (excluding current portions) which is 0.27 times EBITDA. Management believes that cash flow from operations will be adequate to fund maintenance capital, interest and targeted distributions for 2006. Growth capital expenditures in 2005 have been funded by existing cash balances, cash flow from operations and approximately \$3.5 million in additional debt.

Outlook

Margins in the first quarter have returned to more seasonal levels and, consistent with prior years, it is expected that distributions will exceed the cash available for distribution in the quarter. The addition of the Esso stations and continued increases in non-fuel revenue are expected to provide incremental earnings in 2006.

Although not required to support targeted distributions, management continues to assess acquisitions or alliances which will add accretive cash flow and unitholder value. These acquisitions or alliances may be in our core fuel and convenience business, in related assets or infrastructure or in other diversified businesses which add value and reduce dependence on fuel margins.

Distributions

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

Cash Available for Distribution

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

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

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

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

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 formerly operated as Parkland Industries Ltd., after capital taxes, debt service payments, maintenance capital expenditures and other cash requirements.

Parkland Income Fund operates retail and wholesale fuels and convenience store businesses under its marketing brands Fas Gas, Race Trac Fuels and Short Stop Food Stores and transports fuel through its Petrohaul division. Parkland has developed a strong market niche in western and northern Canada by focusing on non-urban markets.

Parkland Income Fund is listed on the TSX (PKI.UN).

This report contains forward-looking statements, including references to cash generated by operations, unitholder distributions and capital expenditures. These forward-looking statements are subject to known and unknown risks and uncertainties and other factors, which may cause actual results, levels of activity and achievements to differ materially from those expressed or implied by such 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. These factors are discussed in greater detail in filings made by Parkland with the Canadian provincial securities commissions.

Conference Call

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

Thursday, March 2, 2006, 9:00 a.m. (11:00 a.m. Eastern Time)
Direct: 416-644-3432
Toll-free: 800-814-4853

The replay will be available as follows:

From Thursday March 2, 2006, 1:00 p.m. (3:00 p.m. Eastern Time)
To Thursday, March 16, 2006 at 9:59 p.m. (11:59 p.m. Eastern Time)
Direct: 416-640-1917
Toll-free: 877-289-8525
Passcode: 21171984 followed by the number sign

Webcast

<http://www.newswire.ca/en/webcast/viewEvent.cgi?eventID=1339360>

Consolidated Balance Sheet

December 31, December 31,

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

Consolidated Statement of Earnings
and Retained earnings

For the years ending (\$ Thousands except per unit information)	December 31, 2005	December 31, 2004
Net sales and operating revenue	\$ 875,539	\$ 686,658
Cost of sales and operating expenses	783,615	603,766
Gross margin	91,924	82,892

Expenses		
Marketing, general and administrative	55,223	52,363
Amortization	8,804	9,242
Loss on writedown of refinery assets	-	25,310
Interest on long-term debt	873	738
	64,900	87,653
Earnings (loss) before income taxes	27,024	(4,761)
Income taxes (Note 7)		
Current	1,726	(103)
Future	329	(8,618)
	2,055	(8,721)
Net earnings	\$ 24,969	\$ 3,960
Retained earnings, beginning of year	-	-
Allocation to Class B Limited Partners (Note 6)	(6,859)	(2,187)
Allocation to Unitholders (Note 6)	(18,110)	(1,773)
Retained earnings, end of year	\$ -	\$ -
Net earnings per unit - basic	\$ 2.03	\$ 0.33
Net earnings per unit - diluted	\$ 2.02	\$ 0.32
Units outstanding	12,338	12,221

Consolidated Statement of Cash Flows

For the years ending (\$ Thousands)	December 31, 2005	December 31, 2004
Cash Provided By Operations		
Net earnings	\$ 24,969	\$ 3,960
Add (deduct) non-cash items		
Amortization	8,804	9,242
Unit Option Compensation	181	97
Accretion expense (Note 4)	60	57
Loss on writedown of refinery assets	-	25,310
Future taxes	329	(8,618)
Cash flow from operations	34,343	30,048
Net changes in non-cash working capital (Note 10)	467	526
Cash from operating activities	34,810	30,574

Financing Activities		
Proceeds from long-term debt	3,458	5,485
Long-term debt repayments	(4,483)	(4,556)
Fund units issued	1,799	1,305
Distributions to Class B Limited Partners	(6,761)	(8,534)
Distributions to Unitholders	(17,111)	(12,541)

Cash (used for) financing activities	(23,098)	(18,841)

Investing activities		
Change in other assets	242	974
Refinery closure expenditures	(362)	-
Purchase of capital assets	(8,812)	(12,265)
Proceeds on sale of capital assets	224	2,127

Cash (used for) from investing activities	(8,708)	(9,164)

Increase in cash	3,004	2,569
Cash and Cash equivalents, beginning of period	5,286	2,717

Cash and Cash equivalents, end of period	\$ 8,290	\$ 5,286

Notes to Consolidated Financial Statements

December 31, 2005

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

Significant Accounting Policies

Basis of Presentation

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

Principles of Consolidation

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

The LP Units are, to the greatest extent possible, the economic equivalent to a Unit in the Fund. They are exchangeable by the holder on a one-for-one basis into Units in the Fund until June 30, 2008. In

certain circumstances, and at any time after June 30, 2008, the Fund may compel the exchange of the LP Units. As such, the LP Units are treated as being equivalent to Fund Units.

Use of Estimates

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

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

Inventories

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

Amortization

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

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

Income Taxes

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

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

Asset Retirement Obligations

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

Long-Term Debt

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

Earnings Per Unit

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

Revenue

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

Grants of Options

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

Cash and Cash Equivalents

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

1. Earnings Analysis and Earnings per Unit

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

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

Denominator utilized in diluted earnings per unit	12,367	12,288
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2. Capital Assets

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

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

3. Refinery Closure Accrual

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

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

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

4. Asset Retirement Obligations

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

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

Asset retirement obligations, end of year	\$ 1,120	\$ 1,043
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On an undiscounted basis, the estimated liability is \$1.5 million, with costs expected to be incurred between 2006 and 2019. The discount rate used to calculate the liability is 6.9 percent.

5. Long-Term Debt

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

 Estimated principal repayments for the next
 5 years are:

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

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

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

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

6. Unitholders' Capital

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

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

	December 31, 2005		December 31, 2004	
	Units	Dollars	Units	Dollars

Class B Limited Partnership				
Units				
Balance, beginning of year	4,307	\$ 18,833	5,411	\$ 31,487
Allocation of retained earnings	-	6,859	-	2,187
Distribution to partners	-	(6,761)	-	(8,534)
Exchanged for Fund Units	(1,399)	(5,876)	(1,104)	(6,307)

Balance, end of year	2,908	13,055	4,307	18,833

Unitholders' Capital				
Balance, beginning of year	7,914	36,191	6,721	39,250

Allocation of retained earnings	-	18,110	-	1,773
Unit option compensation	-	181	-	97
Issued under distribution reinvestment plan	32	661	22	441
Issued under unit option plan	85	1,138	67	864
Distribution to unitholders	-	(17,111)	-	(12,541)
Exchange of Limited Partnership Units	1,399	5,876	1,104	6,307
Balance, end of year	9,430	45,046	7,914	36,191
	12,338	\$ 58,101	12,221	\$ 55,024

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

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

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

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

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

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

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

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

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

7. Income Taxes

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

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

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

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

8. Commitments

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

2006	\$ 1,641
2007	\$ 1,309
2008	\$ 909

2009	\$	448
2010	\$	194

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

9. Financial Instruments

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

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

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

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

10. Net Changes in Non-Cash Working Capital

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

Cash interest paid	\$	873	\$	738
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11. Segmented Information

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

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

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

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

PARKLAND INCOME FUND Supplementary Information

	Three months ended December 31,			12 months ended December 31,		
	2005	2004	2003	2005	2004	2003
Volume (millions of litres)						
Retail	124	123	117	497	488	466
Wholesale	173	134	145	680	612	573
Total volume	297	257	262	1,177	1,100	1,039

Revenue						
(\$000's)						
Retail fuel	\$ 67,774	\$ 83,762	\$ 72,542	\$353,786	\$321,025	\$284,502
Wholesale fuel	\$152,066	\$ 75,120	\$ 62,201	\$476,783	\$327,582	\$260,498
Merchandise sales	\$ 11,540	\$ 10,047	\$ 8,512	\$ 44,970	\$ 38,051	\$ 31,266

Total revenue	\$231,380	\$168,929	\$143,255	\$875,539	\$686,658	\$576,266

Gross margin						
(\$000's)	\$ 26,811	\$ 17,754	\$ 18,399	\$ 91,923	\$ 82,892	\$ 79,000
Less:						
Merchandise gross margin	\$ 3,023	\$ 2,648	\$ 2,157	\$ 11,856	\$ 9,888	\$ 8,040
Non fuel revenue included in gross margin	\$ 1,738	\$ 1,508	\$ 996	\$ 7,014	\$ 5,291	\$ 4,357

Fuel gross margin	\$ 22,050	\$ 13,598	\$ 15,246	\$ 73,053	\$ 67,713	\$ 66,603

Cents per litre (CPL)	\$ 0.0742	\$ 0.0529	\$ 0.0582	\$ 0.0621	\$ 0.0616	\$ 0.0641

Station counts						
Fas Gas				111	133	164
Fas Gas Plus				95	78	50
Race Trac Fuels				215	222	243
Esso				115	0	0

Total stations				536	433	457

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