



PARKLAND INCOME FUND

First Quarter Report

For the three months ended March 31, 2006

President's Message

Parkland's results in the first quarter exceeded expectations in what is typically the weakest quarter in Parkland's core business. Fuel gross margins grew stronger over the course of the quarter carrying positive momentum into the start of the second quarter. In addition to strong fuel margins, the quarterly performance reflects increasing contributions from convenience store merchandise sales and other non-fuel revenues, the ongoing success of the Fas Gas Plus site improvement initiative and the near full impact of the Imperial Oil Retail Brand Distributorship.

Monthly distributions will continue at the rate of seventeen cents (\$0.17) per trust unit.

Consolidated Operating and Financial Highlights

	Three Months Ended March 31		
	2006	2005	2004
Sales Volumes, Refined Products (Millions of Litres)	329	268	257
Revenue (Millions)	\$ 241.6	\$ 177.1	\$ 141.3
EBITDA* (Millions)	\$ 8.2	\$ 3.2	\$ 3.1
Net Earnings (Millions)	\$ 5.6	\$ 0.8	\$ 0.8
Per Unit – Basic	\$ 0.45	\$ 0.07	\$ 0.07
Per Unit – Diluted	\$ 0.45	\$ 0.07	\$ 0.07

*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.

The consolidated statement of earnings has been changed to separate the major components of the amounts previously reported as "Marketing, General and Administrative" expense. The amounts are now reported as "Operating and Direct Costs" expense which includes all expenses directly related to the operation of our retail sites and "Marketing, General and Administrative" expense which includes the costs of marketing administration and corporate overhead.

Management's Discussion & Analysis

The following discussion and analysis of the results of operations and financial condition of Parkland Income Fund should be read in conjunction with the unaudited interim financial statements for the three month period ended March 31, 2006, Management's Discussion and Analysis for the year ended December 31, 2005 and the Fund's Annual Information Form dated March 19, 2006. The unaudited interim financial statements for the periods ended March 31, 2006 and 2005 have been reviewed by the Fund's auditors, PricewaterhouseCoopers LLP, who have provided a Review Engagement Report to the audit committee.

Three Months Ended March 31, 2006

Higher fuel volumes, higher average fuel margins and increased convenience store sales and margins all contributed to higher gross margins in the quarter. EBITDA increased by \$5.0 million over 2005. Net earnings before income taxes were \$5.6 million, significantly higher than the \$0.8 million reported in 2005.

Gasoline and diesel volumes increased by 61 million litres in 2006 to 329 million litres. This increase was primarily due to the Esso RBD program now in operation.

Sales for the quarter ended March 31, 2006 were \$241.6 million, an increase of 36.5 percent over the prior year. Fuel sales revenue increased to \$228.4 million from \$167.6 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 \$13.1 million in 2006 as compared to \$9.5 million in 2005. Convenience store merchandise sales were up with 12 service stations being converted to company-operated stores.

Fuel cost of sales increased to \$209.0 million in 2006 as compared to \$155.7 million in 2005. Similar to sales revenue, cost of sales increased as a result of higher volumes and higher average per litre costs of fuel products. The cost of crude oil averaged 12% higher in 2006 than in the comparative quarter in 2005. Convenience store merchandise cost of sales increased to \$9.8 million in 2006 from \$7.1 million in 2005, consistent with the increase in merchandise sales.

These factors led to aggregate gross margins of \$22.8 million in 2006, which was \$8.5 million higher than the \$14.3 million achieved in 2005. The largest single contribution to the increase was average fuel margins rising to 5.90 cents per litre compared to 4.45 cents per litre in the first quarter of 2005.

Site operating costs increased as 12 Fas Gas Plus stations were converted to company operations. Site operating costs are also sensitive to changes in fuel volume sales and, as a result, total costs were higher than the prior year.

Marketing, general and administrative expenses were \$3.8 million for the quarter ended March 31, 2006 compared to \$2.4 million in 2005. Drivers of increased costs included higher variable compensation costs arising from strong profits. The total for 2005 included some non-recurring credits.

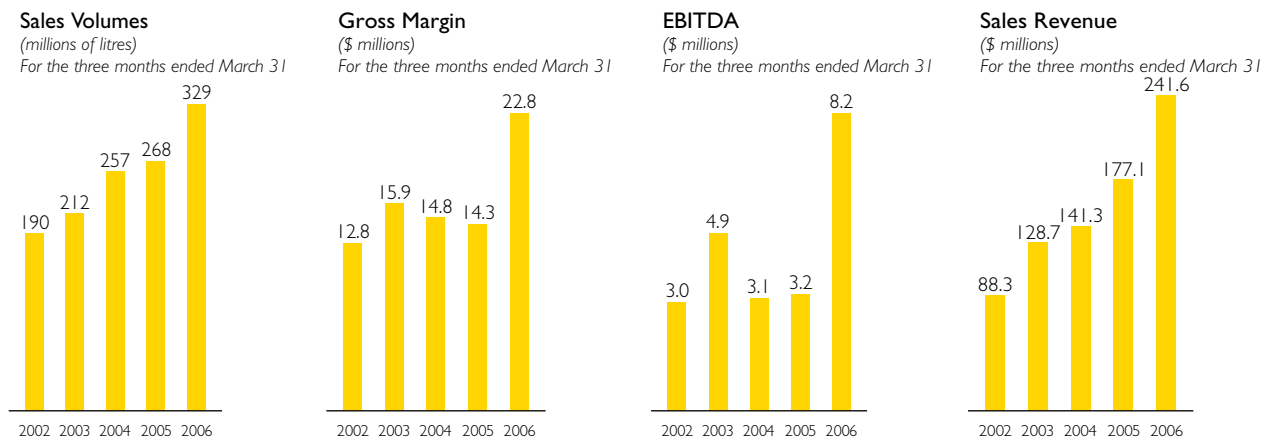
During the first quarter the Fund expended \$2.3 million in capital investments, of which \$0.5 million was classified as maintenance capital and \$1.8 million was classified as growth capital. The classification of capital as growth or maintenance is a subjective determination of management as many 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 growth capital related primarily to one carwash and two convenience stores which were completed during the quarter at company owned sites. One of the convenience store sites was Parkland's first new Esso site and includes a free-standing McDonald's restaurant.

For the quarter ended March 31, 2006 interest on long-term debt was \$250,000. Approximately 76 percent of the Fund's long-term debt bears interest at variable rates linked to prime.

The cash balance at March 31, 2006 of \$13.0 million increased from the December 31, 2005 balance of \$8.3 million as cash flow was strong and non-cash working capital was decreased. The Fund has available a \$28 million line of credit to finance letters of credit and to secure obligations and fund short-term cash flow needs.

During the quarter ended March 31, 2006 Parkland decreased its long-term debt by \$1.2 million as a result of normal repayment of existing term. At March 31, 2006 Parkland had \$8.7 million in long-term debt excluding current portions. Management believes that cash flow from operations will be adequate to fund maintenance capital, interest and targeted distributions for 2006.



Outlook

Fuel margins to date have carried positive momentum. Fuel margins are inherently volatile and are influenced by supply and demand factors both within Parkland's regional market area as well as the broader North American market. Accordingly management makes no attempt to give guidance in this area. The addition of the Esso stations and continued increases in non-fuel revenue are providing 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.

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 payment per unit was increased to \$0.17 on November 15, 2005. An additional special distribution of \$0.10 per unit was also declared for holders of record at December 30, 2005. Estimated distributions in 2006, assuming continued \$0.17 per month payments, would be \$25.3 million.

Cash Available for Distribution

\$000s

For the three months ended March 31, 2006

EBITDA	\$ 8,186
Maintenance Capital Expended	\$ (497)
Taxes and Interest	\$ (294)
Cash Available for Distribution	\$ 7,395
Cash Distributed	\$ 6,320

* Cash available for distribution is not a defined measure under Canadian Generally Accepted Accounting Principles (GAAP). It is defined in the Fund's Trust Deed and generally represents the cash available to be distributed to the Fund's unitholders. The Fund's definition of cash available for distribution may not be consistent with other issuers of financial information.

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.

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.

Quarterly Financial Information

(000s except volume and per share amounts)

Three Months Ended	2004				2005				2006
	June 30	September 30	December 31	March 31	June 30	September 30	December 31	March 31	
Fuel volumes (millions of litres)	283	303	258	268	290	322	297	329	
Net sales and operating revenue	\$ 179,274	\$ 197,193	\$ 168,929	\$ 183,621	\$ 208,177	\$ 258,901	\$ 231,380	\$241,552	
Net earnings	\$ 12,502	\$ 5,769	\$ (15,135)	\$ 824	\$ 6,948	\$ 9,634	\$ 7,563	\$ 5,566	
EBITDA	\$ 14,991	\$ 8,148	\$ 4,324	\$ 3,243	\$ 9,424	\$ 12,546	\$ 11,488	\$ 8,186	
Earnings per share – basic	\$ 1.03	\$ 0.47	\$ (1.24)	\$ 0.07	\$ 0.56	\$ 0.78	\$ 0.62	\$ 0.45	
Earnings per share – diluted	\$ 1.02	\$ 0.47	\$ (1.24)	\$ 0.07	\$ 0.56	\$ 0.78	\$ 0.61	\$ 0.45	

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

Year ending March 31	Mortgages, bank loans and Notes payable	Operating leases	Capital leases
2007	2,563	1,590	4,101
2008	3,551	1,223	750
2009	1,386	792	255
2010	1,240	322	178
2011	469	157	36
Thereafter	–	528	874
	9,209	4,612	6,194

The Fund also has purchase commitments under its fuel supply contracts that require the purchase of approximately 1.3 billion litres of product over the next year.

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

SIGNATURE

Michael W. Chorlton
President and CEO

May 5, 2006

Consolidated Balance Sheet

(\$000s) (Unaudited)	March 31, 2006	December 31, 2005
<i>Assets</i>		
Current Assets		
Cash	\$ 13,027	\$ 8,290
Accounts Receivable	31,773	34,253
Inventories	18,999	18,962
Prepaid expenses	1,242	1,570
	65,041	63,075
Other	1,696	1,859
Capital assets	66,318	66,454
Future Income taxes	1,606	1,631
	\$ 134,661	\$ 133,019
<i>Liabilities</i>		
Current Liabilities		
Accounts payable	55,493	53,011
Income tax payable	1,138	1,138
Long-term debt – current portion	6,664	6,862
	63,295	61,011
Long-term debt	8,739	9,749
Asset retirement obligation	1,135	1,120
Refinery closure accrual	3,038	3,038
	\$ 76,207	\$ 74,918
Unitholders' Capital (Note 1)		
Class B Limited Partners' Capital	12,878	13,055
Unitholders' Capital	45,576	45,046
	58,454	58,101
	\$ 134,661	\$ 133,019

Consolidated Statement of Earnings and Retained Earnings

	3 Months ended March 31,		
(\$000s except per unit amounts) (Unaudited)	2006	2005	2004
Net sales and operating revenues	\$ 241,552	\$ 177,081	\$ 141,262
Cost of sales and operating expenses	218,783	162,772	126,503
Gross margin	22,769	14,309	14,759
Expenses			
Operating and direct costs	10,753	8,711	8,692
Marketing, general and administrative	3,830	2,355	3,001
Amortization	2,301	2,181	2,196
Interest on long-term debt	250	198	190
	17,134	13,445	14,079
Earnings before income taxes	5,635	864	680
Income taxes			
Current	44	–	19
Future	25	40	(163)
	69	40	(144)
Net earnings	5,566	824	824
Retained Earnings, beginning of period	–	–	–
Allocation to Class B Limited Partners	(1,306)	(271)	(357)
Allocation to Unitholders	(4,260)	(553)	(467)
Retained earnings, end of period	\$ –	\$ –	\$ –
Net earnings per unit – basic and diluted	\$ 0.45	\$ 0.07	\$ 0.07
Net earnings per unit – diluted	\$ 0.45	\$ 0.07	\$ 0.07

Consolidated Statement of Cash Flows

(\$000s) (Unaudited)	3 Months ended March 31,		
	2006	2005	2004
<i>Cash Provided By (used for) Operations</i>			
Net earnings	\$ 5,566	\$ 824	\$ 824
Add (deduct) non-cash items			
Amortization	2,301	2,181	2,196
Unit option compensation	48	44	24
Accretion expense	15	15	15
Future taxes	25	40	(163)
Funds flow from operations	7,955	3,104	2,896
Net changes in non-cash working capital	5,253	(1,920)	(475)
Cash from operating activities	13,208	1,184	2,421
<i>Financing Activities</i>			
Proceeds from long-term debt	-	158	1,184
Long-term debt repayments	(1,208)	(1,108)	(1,331)
Distributions to Class B Limited Partners	(1,483)	(1,816)	(2,211)
Distributions to Unitholders	(4,837)	(3,699)	(2,895)
Fund Units issued	1,059	629	446
Cash from (used for) financing activities	(6,469)	(5,836)	(4,807)
<i>Investing activities</i>			
Recovery in other assets	163	31	60
Refinery closure expenditures	-	(10)	-
Purchase of capital assets	(2,322)	(513)	(1,597)
Proceeds on sale of capital assets	157	-	860
Cash from (used for) investing activities	(2,002)	(492)	(677)
Increase (decrease) in cash	4,737	(5,144)	(3,063)
Cash and Cash equivalents, beginning of period	8,290	5,286	2,717
Cash and Cash equivalents, end of period	\$ 13,027	\$ 142	\$ (346)
Cash Interest paid	\$ 250	\$ 198	\$ 190
Cash taxes paid	\$ 44	\$ -	\$ 19

Notes to Consolidated Financial Statements

March 31, 2006

Significant Accounting Policies

The consolidated interim financial statements have been prepared following the same accounting policies and methods of computation as the most recent annual financial statements dated December 31, 2005. These financial statements should be read inconjunction with the annual financial statements and notes.

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

1. Unitholders' Capital

	3 Months ended March 31, 2006		12 Months ended December 31, 2005	
	Units (000s)	(\$000s)	Units (000s)	(\$000s)
Class B Limited Partnership Units				
Balance, beginning of period	2,908	\$ 13,055	4,307	\$ 18,833
Allocation of retained earnings	–	1,306	–	6,859
Distribution to partners	–	(1,483)	–	(6,761)
Exchanged for Fund Units	–	–	(1,399)	(5,876)
Balance, end of period	2,908	12,878	2,908	13,055
Fund Units				
Balance, beginning of period	9,430	45,046	7,914	36,191
Allocation of retained earnings	–	4,260	–	18,110
Unit option compensation	–	48	–	181
Issued under distribution reinvestment plan	10	202	32	661
Issued under unit option plan	61	857	85	1,138
Distribution to unitholders	–	(4,837)	–	(17,111)
Exchange of Limited Partnership units	–	–	1,399	5,876
Balance, end of period	9,501	45,576	9,430	45,046
	12,409	\$ 58,454	12,338	\$ 58,101

The table below represents the status of the Fund's Incentive Option Plan as at March 31, 2006 and the changes therein for the period then ended:

	3 Months ended March 31, 2006		12 Months ended December 31, 2005	
	Weighted Number of Options Units (000s)	Weighted average exercise price	Number of Options Units (000s)	average exercise price
Balance, beginning of period	550	\$ 18.09	438	\$ 15.26
Granted	–	\$ –	280	\$ 21.38
Cancelled	(15)	\$ 21.15	(85)	\$ 19.02
Exercised	(61)	\$ 14.06	(83)	\$ 13.45
Balance, end of period	474	\$ 18.38	550	\$ 18.09
Exercisable options, end of period	282	\$ 16.64	129	\$ 15.28

Exercise prices for outstanding options at March 31, 2006 have the following ranges: 116,301 from \$12.45 – \$15.71, 128,670 from \$17.62 – \$18.97 and 229,000 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 – 10 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 \$530,710. The compensation cost that has been charged against income for the 3 months ended March 31, 2006 is \$48,159 (March 31, 2005 – \$44,226) (March 31, 2004 – \$24,144).

2. 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.

(\$000s) (Unaudited)	3 Months Ended		
	Fuel Marketing	Merchandise	Total
March 31, 2006			
Net sales and operating revenues	\$ 228,437	\$ 13,115	\$ 241,552
Cost of Sales	209,014	9,769	218,783
Gross Margin	\$ 19,423	\$ 3,346	\$ 22,769
March 31, 2005			
Net sales and operating revenues	\$ 167,620	\$ 9,461	\$ 177,081
Cost of Sales	155,701	7,071	162,772
Gross Margin	\$ 11,919	\$ 2,390	\$ 14,309
March 31, 2004			
Net sales and operating revenues	\$ 133,119	\$ 8,143	\$ 141,262
Cost of Sales	120,363	6,140	126,503
Gross Margin	\$ 12,756	\$ 2,003	\$ 14,759

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

Supplementary Information

	Three months ended March 31,		
	2006	2005	2004
Volume (millions of litres)			
Retail	118	116	113
Wholesale	211	152	144
Total volume	329	268	257
Revenue (\$'000s)			
Retail fuel	\$ 89,323	\$ 79,280	\$ 65,611
Wholesale fuel	\$ 139,114	\$ 88,340	\$ 67,508
Merchandise sales	\$ 13,115	\$ 9,461	\$ 8,143
Total revenue	\$ 241,552	\$ 177,081	\$ 141,262
Gross margin (\$'000s)	\$ 22,769	\$ 14,309	\$ 14,759
Less : Merchandise gross margin	\$ 3,346	\$ 2,390	\$ 2,003
Non fuel revenue included in gross margin	\$ 1,652	\$ 1,629	\$ 1,219
Fuel gross margin	\$ 17,771	\$ 10,290	\$ 11,537
Cents per litre (CPL)	\$ 0.0540	\$ 0.0384	\$ 0.0449
Station counts			
Fas Gas	111	160	188
Fas Gas Plus	99	53	28
Race Trac Fuels	204	237	219
Esso	141	0	0
Total stations	555	450	435



PARKLAND INCOME FUND

Corporate Information

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Website: www.parkland.ca

Annual General Meeting

Friday, May 5, 2006
2 p.m. at the Capri Hotel
Trade and Convention Centre
3310 – 50th Avenue
Red Deer, Alberta

Banker

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Legal Counsel

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Stock Exchange Listing

Toronto Stock Exchange
Trading Symbol: PKI.UN

Registrar and Transfer Agent

Valiant Trust Company
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Directors

Robert G. Brawn
Jim Dinning
Alain Ferland
Kris Matthews
Jim Pantelidis
David A. Spencer
Andrew B. Wiswell

Officers

Michael W. Chorlton
President and CEO

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

Kelly G. Collier
Controller; Retail

Wholly Owned Subsidiaries

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