



PARKLAND INCOME FUND

# *Second Quarter Report*

For the six months ended June 30, 2006

## *President's Message*

In recent years Parkland has implemented a strategy to create unitholder value by focusing on the rigorous refinement of its retail portfolio, increasing revenue diversification through growth in non-fuel revenues and continuing to build on its leadership position in the non-urban markets of western and northern Canada. Parkland believes the record-setting results for the quarter is a solid indication that this strategy is working.

Parkland's second quarter performance can be attributed to a number of factors. Upgrades to key locations, the success of the Retail Branded Distributorship (RBD) program and the onset of the summer driving season contributed to a substantial increase in fuel volumes. The continued strength of the western Canadian economy helped drive demand from both branded and unbranded dealers. Fuel margins remained above historic levels, particularly strong refining margins in which we share. The addition of new and refurbished Fas Gas Plus convenience stores helped strengthen growth in non-fuel revenues.

The performance for the quarter has contributed to Parkland's already strong financial position and Parkland is pleased to announce that it is increasing monthly distributions to twenty cents (\$0.20) per unit from eighteen (\$0.18). Moving forward, Parkland will continue to execute on its current strategy while assessing acquisitions, alliances and other growth opportunities with the aim of adding accretive cash flow and unitholder value.

## Outlook

Parkland maintains a positive outlook for the second half of 2006.

The Fund will continue to execute on its current strategy and expects to introduce nine new or refurbished Fas Gas Plus sites over the next six months. The RBD stations and increases in non-fuel revenue are expected to provide continued incremental earnings. The Fund's ongoing exploration of alternatives for the Bowden Refinery will also continue.

With respect to fuel margins, management has historically made no attempt to give guidance in this area. Fuel margins are inherently volatile and are influenced by supply and demand factors both within Parkland's regional market and the broader North American market. Gross margins on transportation fuels have exceeded historic norms for the last four quarters and there is no certainty as to how long these levels of gross margins will be sustained.

## Consolidated Operating and Financial Highlights

	For the three months ended June 30,			For the six months ended June 30,		
	2006	2005	2004	2006	2005	2004
Sales volumes, refined products (millions of litres)	<b>374</b>	290	283	<b>703</b>	558	540
Revenue (millions)	<b>\$ 320.1</b>	\$ 208.2	\$ 179.3	<b>\$ 561.7</b>	\$ 385.3	\$ 320.5
EBITDA (millions)	<b>\$ 24.4</b>	\$ 9.4	\$ 15.0	<b>\$ 32.5</b>	\$ 12.7	\$ 18.1
Net earnings (millions)	<b>\$ 21.9</b>	\$ 6.9	\$ 12.5	<b>\$ 27.5</b>	\$ 7.8	\$ 13.3
Per unit – basic	<b>\$ 1.76</b>	\$ 0.56	\$ 1.03	<b>\$ 2.21</b>	\$ 0.63	\$ 1.10
Per unit – diluted	<b>\$ 1.75</b>	\$ 0.56	\$ 1.02	<b>\$ 2.20</b>	\$ 0.63	\$ 1.09

## *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 six month period ended June 30, 2006, Management's Discussion and Analysis for the year ended December 31, 2005 and the Fund's Annual Information Form dated March 19, 2006.

### **Three Months Ended June 30, 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 \$15.0 million or 159% over 2005. Net earnings before income taxes were \$21.9 million, a 205% increase over the \$7.2 million reported in 2005.

#### *Fuel Volumes*

Gasoline and diesel volumes increased by 84 million litres in the second quarter of 2006 to 374 million litres, an increase of 29%. The substantial increase in fuel volume was due in large part to the RBD program now in operation. Under this program, Parkland supplies branded fuel to independent Esso branded retailers in Saskatchewan and Alberta. Additionally, the performance of Parkland's upgraded stations combined with the onset of the summer driving season produced higher retail volumes. Demand from independent dealers and resellers was also very strong. During the quarter, Parkland added one new Fas Gas Plus site and refurbished and rebranded nine former Race Trac sites to Fas Gas Plus.

#### *Sales*

Sales for the quarter ended June 30, 2006 were \$320.1 million, an increase of 54% over the prior year. Fuel sales revenue increased to \$305.3 million from \$196.7 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 \$14.8 million in 2006 as compared to \$11.5 million in 2005. Convenience store merchandise sales were up with one service station being converted to a company-operated store.

#### *Cost of Sales*

Fuel cost of sales increased to \$269.3 million in 2006 as compared to \$176.9 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 19% higher in 2006 than in the comparative quarter in 2005. Convenience store merchandise cost of sales increased to \$10.9 million in 2006 from \$8.2 million in 2005, consistent with the increase in merchandise sales.

#### *Margins*

These factors led to aggregate gross margins of \$39.9 million in 2006, which was \$16.8 million higher than the \$23.1 million achieved in 2005. The largest single contribution to the increase was average fuel margins rising to 9.1 cents per litre compared to 6.2 cents per litre in the second quarter of 2005.

*Operating Expenses*

Operating and direct costs increased as one Fas Gas station was converted to company operated and as the retail station count increased by four over the second quarter of 2005. 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 \$4.3 million for the quarter ended June 30, 2006 compared to \$3.5 million in 2005. Drivers of increased costs included higher variable compensation costs arising from strong profits and also general wage increases year over year.

*Earnings*

Net earnings were \$21.9 million in 2006 compared to \$6.9 million in 2005. The increase resulted primarily from the increase in gross margins and fuel volumes and offset in part by increased operating costs and marketing, general and administrative expenses. The same factors resulted in funds flow from operations increasing to \$24.2 million compared to \$9.1 million in 2005.

*Capital Investments*

During the second quarter the Fund expended \$3.6 million in capital investments, of which \$2.4 million was classified as maintenance capital and \$1.2 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 ongoing capital investment program resulted in amortization increasing to \$2.2 million in 2006 from \$2.0 million in 2005.

*Long-term Debt*

For the quarter ended June 30, 2006 interest on long-term debt was \$242,000. Approximately 76% of the Fund's long-term debt bears interest at variable rates linked to prime. Parkland has available a \$32 million bank line of credit of which approximately \$26 million is 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 1000, that the current assets to current liabilities ratio be not less than 0.80 to 1.00, and that debt service coverage be not less than 1.2 to 1.0. Parkland is in compliance with all covenant terms.

During the quarter ended June 30, 2006 Parkland decreased its long-term debt by \$1.8 million as a result of normal repayment terms. At June 30, 2006 Parkland had \$7.9 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. Parkland's long-term debt was a conservative 0.14 times trailing 12 months EBITDA.

*Cash Balance*

The cash balance at June 30, 2006 of \$26.6 million increased from the December 31, 2005 balance of \$8.3 million as a result of very strong cash flow for the six-month period.

The financial statements include accounting estimates, the nature of which is described in the 2005 Annual Report.

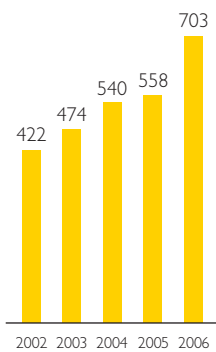
There were no transactions with related parties during the three months ended June 30, 2006.

**Six Months Ended June 30, 2006**

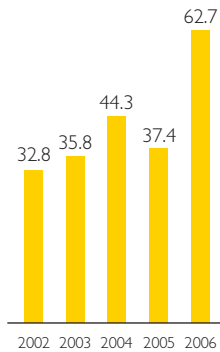
Sales volumes of refined products increased 26% over the six months ended June 30, 2005 driven by the new RBD program as well as increases in both wholesale and retail volumes. Revenue increased by \$176.4 million or 46% through higher volume, higher crude oil prices and higher merchandise sales from our convenience store operations.

Gross margins were \$62.7 million, compared to \$37.4 million in 2005, an increase of 68% year-over-year. Operating and direct costs increased to \$22.1 from \$18.9 in 2005 as a result of the new RBD program and a higher number of company-operated stations. These factors contributed to an increase in EBITDA to \$32.5 million as compared to \$12.7 million in the first six months of 2005.

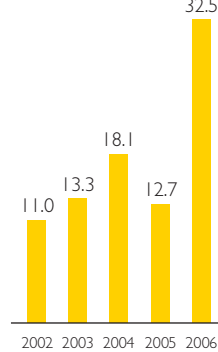
**Sales Volumes**  
(millions of litres)  
For the six months ended June 30



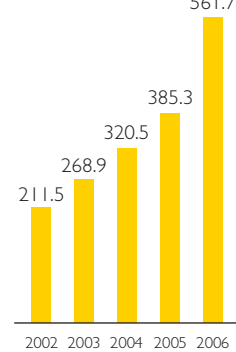
**Gross Margin**  
(\$ millions)  
For the six months ended June 30



**EBITDA**  
(\$ millions)  
For the six months ended June 30



**Sales Revenue**  
(\$ millions)  
For the six months ended June 30



**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, to \$0.18 on June 15, 2006 and to \$0.20 effective September 15, 2006. 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 \$0.20 per month payments for the duration of the year, would be \$27.2 million.

**Cash Available for Distribution**

(\$000s)	For the three months ended June 30, 2006	For the six months ended June 30, 2006
Earnings before income taxes	\$ 21,905	\$ 27,540
Add back:		
Amortization	2,210	4,511
Interest on long-term debt	242	492
EBITDA	24,357	32,543
Maintenance capital expended	(2,336)	(2,833)
Capital taxes and interest	(236)	(530)
Cash available for distribution	\$ 21,785	\$ 29,180
Cash distributed	\$ 6,590	\$ 12,910

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:

- “EBITDA” means Earnings before Interest Expense, Income Taxes, Depreciation and Amortization.
- “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, capital taxes and interest.
- “Tangible Net Worth” means total assets less total liabilities less intangible assets.
- “Debt Service Coverage” is defined in the credit facility as operational cash flow before interest expense divided by interest expense and principal repayment.

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.

### 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 marketing brands Fas Gas, Fas Gas Plus, Race Trac Fuels and Short Stop Food Store brands, and transports fuel through its Petrohaul division. With over 550 locations, Parkland has developed a strong market niche in western and northern Canada non-urban markets. 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 maintains ownership of the Bowden refinery near Red Deer, Alberta, and is actively exploring operational alternatives for the site.

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.

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

### Quarterly Financial Information

For the three months ended (\$000s except volume and per unit amounts)	Sept 30	2004 Dec 31	Mar 31	June 30	Sept 30	2005 Dec 31	Mar 31	2006 June 30
Fuel volumes (millions of litres)	303	258	268	290	322	297	329	<b>374</b>
Net sales and operating revenue	\$ 197,193	\$ 168,929	\$ 177,081	\$ 208,177	\$ 258,901	\$ 231,380	\$ 241,552	<b>\$ 320,166</b>
Net earnings	\$ 5,769	\$ (15,135)	\$ 824	\$ 6,948	\$ 9,634	\$ 7,563	\$ 5,566	<b>\$ 21,889</b>
EBITDA	\$ 8,148	\$ 4,324	\$ 3,243	\$ 9,424	\$ 12,546	\$ 11,488	\$ 8,186	<b>\$ 24,357</b>
Earnings per share – basic	\$ 0.47	\$ (1.24)	\$ 0.07	\$ 0.56	\$ 0.78	\$ 0.62	\$ 0.45	<b>\$ 1.76</b>
Earnings per share – diluted	\$ 0.47	\$ (1.24)	\$ 0.07	\$ 0.56	\$ 0.78	\$ 0.61	\$ 0.45	<b>\$ 1.75</b>

## 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:

For the year ending June 30	Mortgages, bank loans and notes payable	Operating leases	Capital leases
2007	\$ 2,428	\$ 1,563	\$ 3,732
2008	3,247	1,155	494
2009	1,367	706	217
2010	1,340	240	116
2011	171	136	86
Thereafter	—	520	865
	\$ 8,553	\$ 4,320	\$ 5,510

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.

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.



Michael W. Chorlton  
President and CEO

August 1, 2006



## *Consolidated Balance Sheet*

(\$000s) (Unaudited)	<b>June 30, 2006</b>	December 31, 2005
<i>Assets</i>		
Current Assets		
Cash	\$ 26,612	\$ 8,290
Accounts receivable	41,027	34,253
Inventories	18,445	18,962
Prepaid expenses	1,487	1,570
	<b>87,571</b>	63,075
Other	1,582	1,859
Capital assets	67,723	66,454
Future income taxes	1,584	1,631
	<b>\$ 158,460</b>	\$ 133,019
<i>Liabilities</i>		
Current Liabilities		
Accounts payable	\$ 65,759	\$ 53,011
Income tax payable	-	1,138
Long-term debt – current portion	6,160	6,862
	<b>71,919</b>	61,011
Long-term debt	7,903	9,749
Asset retirement obligation	1,150	1,120
Refinery closure accrual	3,038	3,038
	<b>84,010</b>	74,918
<i>Unitholders' Capital (Note 1)</i>		
Class B Limited Partners' Capital	16,458	13,055
Unitholders' Capital	57,992	45,046
	<b>74,450</b>	58,101
	<b>\$ 158,460</b>	\$ 133,019

## *Consolidated Statement of Earnings and Retained Earnings*

(\$000s except per unit amounts) (Unaudited)	For the three months ended June 30,			For the six months ended June 30,		
	2006	2005	2004	2006	2005	2004
Net sales and operating revenues	<b>\$ 320,166</b>	\$ 208,177	\$ 179,274	<b>\$ 561,718</b>	\$ 385,258	\$ 320,536
Cost of sales and operating expenses	<b>280,237</b>	185,090	149,705	<b>499,020</b>	347,862	276,208
Gross margin	<b>39,929</b>	23,087	29,569	<b>62,698</b>	37,396	44,328
Expenses						
Operating and direct costs	<b>11,313</b>	10,143	9,335	<b>22,066</b>	18,854	18,027
Marketing, general and administrative	<b>4,259</b>	3,520	5,243	<b>8,089</b>	5,875	8,244
Amortization	<b>2,210</b>	2,031	2,199	<b>4,511</b>	4,212	4,395
Interest on long-term debt	<b>242</b>	216	236	<b>492</b>	414	426
	<b>18,024</b>	15,910	17,013	<b>35,158</b>	29,355	31,092
Earnings before income taxes	<b>21,905</b>	7,177	12,556	<b>27,540</b>	8,041	13,236
Income taxes						
Current	<b>(6)</b>	159	20	<b>38</b>	159	39
Future	<b>22</b>	70	34	<b>47</b>	110	(129)
	<b>16</b>	229	54	<b>85</b>	269	(90)
Net earnings	<b>21,889</b>	6,948	12,502	<b>27,455</b>	7,772	13,326
Retained earnings, beginning of period	–	–	–	–	–	–
Allocation to Class B Limited Partners	<b>(5,122)</b>	(2,105)	(5,293)	<b>(6,428)</b>	(2,376)	(5,650)
Allocation to Unitholders	<b>(16,767)</b>	(4,843)	(7,209)	<b>(21,027)</b>	(5,396)	(7,676)
Retained earnings, end of period	<b>\$ –</b>	\$ –	\$ –	<b>\$ –</b>	\$ –	\$ –
Net earnings per unit						
– basic	<b>\$ 1.76</b>	\$ 0.56	\$ 1.03	<b>\$ 2.21</b>	\$ 0.63	\$ 1.10
– diluted	<b>\$ 1.75</b>	\$ 0.56	\$ 1.02	<b>\$ 2.20</b>	\$ 0.63	\$ 1.09

## Consolidated Statement of Cash Flows

(\$000s) (Unaudited)	For the three months ended June 30,			For the six months ended June 30,		
	2006	2005	2004	2006	2005	2004
<i>Cash Provided By Operations</i>						
Net earnings	\$ 21,889	\$ 6,948	\$ 12,502	\$ 27,455	\$ 7,772	\$ 13,326
Add (deduct) non-cash items						
Amortization	2,210	2,031	2,199	4,511	4,212	4,395
Unit incentive compensation (Note 1)	93	44	24	141	88	48
Accretion expense	15	15	15	30	30	30
Future taxes	22	70	34	47	110	(129)
Funds flow from operations	\$ 24,229	\$ 9,108	\$ 14,774	\$ 32,184	\$ 12,212	\$ 17,670
Net changes in non-cash working capital	183	4,891	3,206	5,436	2,971	2,731
Cash from operating activities	\$ 24,412	\$ 13,999	\$ 17,980	\$ 37,620	\$ 15,183	\$ 20,401
<i>Financing Activities</i>						
Proceeds from long-term debt	-	-	879	-	158	2,063
Long-term debt repayments	(1,340)	(1,120)	(956)	(2,548)	(2,228)	(2,287)
Distributions to Class B Limited Partners	(1,542)	(1,675)	(2,121)	(3,025)	(3,491)	(4,332)
Distributions to Unitholders	(5,048)	(3,855)	(2,991)	(9,885)	(7,554)	(5,886)
Fund units issued	604	577	118	1,663	1,206	564
Cash used for financing activities	(7,326)	(6,073)	(5,071)	(13,795)	(11,909)	(9,878)
<i>Investing Activities</i>						
Recovery (investment) in other assets	114	(69)	423	277	(38)	483
Refinery closure expenditures	-	(33)	-	-	(43)	-
Purchase of capital assets	(3,899)	(1,374)	(4,535)	(6,221)	(1,887)	(6,132)
Proceeds on sale of capital assets	284	81	102	441	81	962
Cash used for investing activities	(3,501)	(1,395)	(4,010)	(5,503)	(1,887)	(4,687)
Increase in cash	13,585	6,531	8,899	18,322	1,387	5,836
Cash and cash equivalents, beginning of period	13,027	142	(346)	8,290	5,286	2,717
Cash and cash equivalents, end of period	\$ 26,612	\$ 6,673	\$ 8,553	\$ 26,612	\$ 6,673	\$ 8,553
Cash interest paid	\$ 242	\$ 216	\$ 236	\$ 492	\$ 414	\$ 426
Cash taxes paid	\$ 1,132	\$ 159	\$ 20	\$ 1,176	\$ 159	\$ 39

## *Notes to Consolidated Financial Statements*

### 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 in conjunction with the annual financial statements and notes.

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

### 1. Unitholders' Capital

	Six months ended June 30, 2006		Year ended December 31, 2005	
	Units (000s)	(\$000s)	Units (000s)	(\$000s)
<b>Class B Limited Partnership Units</b>				
Balance, beginning of period	2,908	\$ 13,055	4,307	\$ 18,833
Allocation of retained earnings	-	6,428	-	6,859
Distribution to partners	-	(3,025)	-	(6,761)
Exchanged for Fund units	-	-	(1,399)	(5,876)
Balance, end of period	2,908	\$ 16,458	2,908	\$ 13,055
<b>Fund Units</b>				
Balance, beginning of period	9,430	\$ 45,046	7,914	\$ 36,191
Allocation of retained earnings	-	21,027	-	18,110
Unit incentive compensation	-	141	-	181
Issued under distribution reinvestment plan	17	378	32	661
Issued under unit option plan	86	1,285	85	1,138
Distribution to Unitholders	-	(9,885)	-	(17,111)
Exchange of Limited Partnership units	-	-	1,399	5,876
Balance, end of period	9,533	\$ 57,992	9,430	\$ 45,046
	<b>12,441</b>	<b>\$ 74,450</b>	12,338	\$ 58,101

## Unit Option Plan

The table below represents the status of the Fund's Unit Options Plan as at June 30, 2006 and the changes therein for the period then ended:

	Six months ended June 30, 2006		Year ended December 31, 2005	
	Number of Options Units (000s)	Weighted Average Exercise Price	Number of Options Units (000s)	Weighted Average Exercise Price
Balance, beginning of period	550	\$ 18.09	438	\$ 15.26
Granted	-	-	280	21.38
Cancelled	(21)	20.95	(85)	19.02
Exercised	(87)	14.89	(83)	13.45
Balance, end of period	442	\$ 18.58	550	\$ 18.09
Exercisable options, end of period	267	\$ 16.74	129	\$ 15.28

Exercise prices for outstanding options at June 30, 2006 have the following ranges: 106,301 from \$12.45 - \$15.71, 115,337 from \$17.62 - \$18.97 and 220,667 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 6 months ended June 30, 2006 is \$82,526 (2005 - \$88,452, 2004 - \$48,292).

## Restricted Unit Plan

Effective January 1, 2006 the Fund adopted a restricted unit plan to complement the Option Plan and Unit Distribution Rights Plan. Under the Plan the units vest over a five-year period and are subject to entity performance criteria. Details of the Plan are set out in the Notice of Annual and Special Meeting of Unitholders, dated March 19, 2006. The table below represents the status of the Fund's Restricted Unit Plan as at June 30, 2006 and the changes therein for the period then ended:

Six months ended June 30, 2006	Number of Units (000s)	Weighted Average Unit Price
Balance, beginning of period	-	\$ -
Granted	44	19.65
Cancelled	-	-
Balance, end of period	44	\$ 19.65

The Fund accounts for its grants of restricted units over the vesting period of each grant. The total cost to be reported is \$873,836. The compensation cost that has been charged against income is \$58,200.

## 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)	For the three months ended June 30			For the six months ended June 30		
	Fuel Marketing	Merchandise	Total	Fuel Marketing	Merchandise	Total
<b>June 30, 2006</b>						
Net sales and operating revenues	\$ 305,324	\$ 14,842	\$ 320,166	\$ 533,761	\$ 27,957	\$ 561,718
Cost of sales	269,337	10,900	280,237	478,351	20,669	499,020
Gross margin	\$ 35,987	\$ 3,942	\$ 39,929	\$ 55,410	\$ 7,288	\$ 62,698
<b>June 30, 2005</b>						
Net sales and operating revenues	\$ 196,664	\$ 11,513	\$ 208,177	\$ 364,284	\$ 20,974	\$ 385,258
Cost of sales	176,852	8,238	185,090	332,553	15,309	347,862
Gross margin	\$ 19,812	\$ 3,275	\$ 23,087	\$ 31,731	\$ 5,665	\$ 37,396
<b>June 30, 2004</b>						
Net sales and operating revenues	\$ 170,053	\$ 9,221	\$ 179,274	\$ 303,172	\$ 17,364	\$ 320,536
Cost of sales	142,927	6,778	149,705	263,290	12,918	276,208
Gross margin	\$ 27,126	\$ 2,443	\$ 29,569	\$ 39,882	\$ 4,446	\$ 44,328

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

## Supplementary Information

	For the three months ended June 30,			For the six months ended June 30,		
	2006	2005	2004	2006	2005	2004
Volume (millions of litres)						
Retail	130	124	122	248	239	235
Wholesale	244	166	161	455	319	305
Total volume	374	290	283	703	558	540
Revenue (\$000's)						
Retail fuel	\$ 113,839	\$ 94,016	\$ 82,959	\$ 203,162	\$ 173,296	\$ 148,570
Wholesale fuel	191,485	102,648	87,094	330,599	190,988	154,602
Merchandise sales	14,842	11,513	9,221	27,957	20,974	17,364
Total revenue	\$ 320,166	\$ 208,177	\$ 179,274	\$ 561,718	\$ 385,258	\$ 320,536
Gross margin (\$000's)	\$ 39,929	\$ 23,087	\$ 29,569	\$ 62,698	\$ 37,396	\$ 44,328
Less: Merchandise gross margin	3,942	3,275	2,443	7,288	5,665	4,446
Non fuel revenue included in gross margin	1,985	1,702	1,275	3,637	3,331	2,494
Fuel gross margin	\$ 34,002	\$ 18,110	\$ 25,851	\$ 51,773	\$ 28,400	\$ 37,388
Cents per litre	\$ 0.0909	\$ 0.0624	\$ 0.0913	\$ 0.0736	\$ 0.0509	\$ 0.0692
Station Counts						
Retail						
Fas Gas				98	120	169
Fas Gas Plus				95	86	36
Esso				2	—	—
Total retail				195	206	216
Wholesale						
Race Trac Fuels				201	222	238
Fas Gas Plus				12	—	—
RBD				150	—	—
Total wholesale				363	222	238
Total stations				558	428	454



PARKLAND INCOME FUND

# *Corporate Information*

## **Head Office**

Suite 236, Riverside Office Plaza  
4919 – 59th Street  
Red Deer, Alberta  
T4N 6C9  
Tel: (403) 357-6400  
Fax: (403) 346-3015  
Email: [corpinfo@parkland.ca](mailto:corpinfo@parkland.ca)  
Website: [www.parkland.ca](http://www.parkland.ca)

## **Banker**

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

## **Auditors**

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

## **Legal Counsel**

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

## **Stock Exchange Listing**

Toronto Stock Exchange  
Trading Symbol: PKI.UN

## **Registrar and Transfer Agent**

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

## **Directors**

Robert G. Brawn  
Michael W. Chorlton  
Jim Dinning  
Alain Ferland  
Kris Matthews  
Jim Pantelidis  
David A. Spencer

## **Officers**

Michael W. Chorlton  
President and CEO  
  
John G. Schroeder  
Vice President and CFO  
Corporate Secretary  
Chief Privacy Officer  
  
Chris R. Podolsky  
Corporate Controller  
  
Kelly G. Collier  
Controller; Retail  
  
Jay S. Chatha  
Controller; Wholesale

## **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.