MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The financial statements and the notes to the financial statements are the responsibility of the management of Parkland Fuel Corporation. They have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board which have been adopted in Canada. Financial information that is presented in the Management Discussion and Analysis is consistent with the financial statements.

In preparation of these statements, estimates are sometimes necessary because a precise determination of certain assets and liabilities is dependent on future events. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements.

Management is responsible for the reliability and integrity of the financial statements, the notes to the financial statements, and other financial information contained in this report. In order to ensure that management fulfills its responsibilities for financial reporting we have established an organizational structure that provides appropriate delegation of authority, division of responsibilities, and selection and training of properly qualified personnel. Management is also responsible for the development of internal controls over the financial reporting process.

The Board of Directors (the Board) is assisted in exercising its responsibilities through the Audit Committee (the Committee) of the Board. The Committee meets regularly with management and the independent auditors to satisfy itself that management's responsibilities are properly discharged, to review the financial statements and to recommend approval of the financial statements to the Board.

PricewaterhouseCoopers LLP, the independent auditors appointed by the shareholders, have audited Parkland Fuel Corporation's consolidated financial statements in accordance with Canadian generally accepted auditing standards and provided an independent professional opinion. The auditors have full and unrestricted access to the Committee to discuss the audit and their related findings as to the integrity of the financial reporting process.

"signed"
Robert B. Espey
President and CEO
Red Deer, Alberta
February 25, 2013

"signed"
Michael R. Lambert
Senior Vice President and CFO
Red Deer, Alberta
February 25, 2013

February 25, 2013

Independent Auditor's Report

To the Shareholders of Parkland Fuel Corporation

We have audited the accompanying consolidated financial statements of Parkland Fuel Corporation and its subsidiaries, which comprise the consolidated balance sheet as at December 31, 2012 and December 31, 2011 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Parkland Fuel Corporation and its subsidiaries as at December 31, 2012 and December 31, 2011 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

"signed"
PricewaterhouseCoopers LLP
Chartered Accountants
Calgary, Alberta

Parkland Fuel Corporation

Consolidated Balance Sheets

(in 000's of Canadian Dollars)	**As at December 31, 2012**	As at December 31, 2011
Assets		
Current Assets		
Cash and cash equivalents	**14,676**	24,905
Restricted cash	**-**	3,000
Accounts receivable (Note 7)	**326,088**	329,758
Inventories (Note 8)	**75,911**	84,257
Risk management (Note 9)	**2,015**	347
Prepaid expenses and other	**9,425**	8,629
	428,115	450,896
Property, plant and equipment (Note 10)	**258,404**	246,961
Intangible assets (Note 11)	**106,973**	119,378
Goodwill (Note 12)	**91,138**	89,883
Long-term receivables (Note 13)	**10,315**	6,307
Deferred tax asset (Note 14)	**8,509**	10,024
	903,454	923,449
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	**176,559**	196,360
Dividends declared and payable	**5,777**	5,469
Income tax payable (Note 14)	**20,034**	17,026
Deferred revenue	**6,602**	4,533
Long-term debt - current portion (Note 15)	**906**	2,779
Risk management (Note 9)	**929**	-
Other long-term liabilities - current portion (Note 16)	**250**	2,236
	211,057	228,403
Long-term debt (Note 15)	**153,540**	228,241
Other long-term liabilities (Note 16)	**-**	313
Convertible debentures (Note 17)	**136,907**	135,544
Asset retirement obligations (Note 18)	**30,293**	25,478
Refinery and terminal remediation accrual (Note 19)	**13,957**	11,242
Deferred tax liability (Note 14)	**4,967**	8,034
	550,721	637,255
Shareholders' Equity		
Shareholders' capital (Note 20)	**349,591**	300,981
Contributed surplus	**2,964**	1,814
Accumulated other comprehensive loss	**(324)**	-
Retained earnings (deficit)	**502**	(16,601)
	352,733	286,194
	903,454	923,449

Commitments (Note 24)
Contingencies (Note 30)
Subsequent Events (Note 31)

Signed on behalf of the Board of Directors:

"signed"
James Pantelidis
Chairman of the Board

"signed"
Ron Rogers
Chairman of the Audit Committee

The accompanying notes are an integral part of these consolidated financial statements.

Parkland Fuel Corporation

Consolidated Statements of Income

For the years ended December 31, 2012 and 2011

(in 000's of Canadian Dollars and shares except per share amounts)	**Year ended December 31, 2012**	2011
Sales and operating revenue	**4,133,636**	3,980,477
Cost of sales, excluding depreciation	**3,696,594**	3,572,031
Customer finance income	**(3,462)**	(2,839)
Operating costs	**152,922**	172,668
Marketing, general and administrative	**79,524**	86,857
Depreciation and amortization	**54,689**	68,444
Finance costs (Note 21)	**20,239**	36,712
Loss/(gain) on disposal of property, plant and equipment	**282**	(15,938)
Loss on put option contracts (Note 9)	**9,077**	928
Earnings before income taxes	**123,771**	61,614
Income tax expense (recovery)		
Current	**40,349**	20,056
Deferred	**(1,432)**	(2,357)
	38,917	17,699
Net earnings	**84,854**	43,915
Net earnings per share (Note 6)		
- Basic	**1.28**	0.74
- Diluted	**1.22**	0.73
Shares outstanding	**67,973**	64,354

The accompanying notes are an integral part of these consolidated financial statements.

Parkland Fuel Corporation

Consolidated Statements of Comprehensive Income

(in 000's of Canadian Dollars)	Year ended December 31, **2012**	2011
Net earnings	**84,854**	43,915
Other comprehensive income (loss), net of tax:		
Other comprehensive income, in the future potentially to be reclassified to consolidated statement of income:		
Loss on interest rate swaps due to change in fair value, net of tax benefit of $251	**(678)**	
Income on interest rate swaps due to de-designation of a portion of the hedging item, net of tax expense of $131	**354**	-
Comprehensive loss	**(324)**	-
Total comprehensive income, net of tax	**84,530**	43,915

The accompanying notes are an integral part of these consolidated financial statements.

Parkland Fuel Corporation

Consolidated Statements of Changes in Equity

(in 000's of Canadian Dollars and shares)	Year ended December 31,					
	Shareholders' Capital	Contributed Surplus	Retained Earnings (Deficit)	Accumulated Other Comprehensive Loss	Total	Number of shares
2012						
Balance, beginning of year	**300,981**	**1,814**	**(16,601)**	**-**	**286,194**	**64,354**
Net earnings for the year	**-**	**-**	**84,854**	**-**	**84,854**	**-**
Other comprehensive loss	**-**	**-**	**-**	**(324)**	**(324)**	**-**
Dividends	**-**	**-**	**(67,751)**	**-**	**(67,751)**	**-**
Share incentive compensation	**-**	**1,221**	**-**	**-**	**1,221**	**-**
Issued under dividend reinvestment plan, net of issue costs	**47,191**	**-**	**-**	**-**	**47,191**	**3,372**
Issued under share option plan	**463**	**(71)**	**-**	**-**	**392**	**73**
Issued on vesting of restricted shares	**-**	**-**	**-**	**-**	**-**	**109**
Issued upon conversion of debentures	**956**	**-**	**-**	**-**	**956**	**65**
Balance, end of year	**349,591**	**2,964**	**502**	**(324)**	**352,733**	**67,973**
2011						
Balance, beginning of year	**179,804**	-	-	-	179,804	53,164
Net earnings and comprehensive income for the year	-	-	43,915	-	43,915	-
Dividends	-	-	(60,516)	-	(60,516)	-
Share incentive compensation	-	1,814	-	-	1,814	-
Issued under dividend reinvestment plan, net of issue costs	37,042	-	-	-	37,042	3,443
Issued for cash, net of issue costs	82,597	-	-	-	82,597	7,130
Issued under share option plan	1,513	-	-	-	1,513	226
Issued on vesting of restricted shares	-	-	-	-	-	390
Issued upon conversion of debentures	25	-	-	-	25	1
Balance, end of year	300,981	1,814	(16,601)	-	286,194	64,354

The accompanying notes are an integral part of these consolidated financial statements.

Parkland Fuel Corporation

Consolidated Statements of Cash Flows

(in 000's of Canadian Dollars)	Year ended December 31, 2012	2011
Cash Provided by Operations		
Net earnings	**84,854**	43,915
Adjustments for:		
Depreciation and amortization	**54,689**	68,444
Loss/(gain) on disposal of property, plant and equipment	**282**	(15,938)
Share incentive compensation	**2,346**	1,814
Refinery and terminal remediation accrual	**484**	4,414
Accretion expense on asset retirement obligation	**227**	6,567
Increase in risk management asset	**(1,668)**	(347)
Loss on interest rate swap	**485**	-
Accretion on convertible debentures (Note 17)	**2,319**	2,209
Deferred taxes	**(1,432)**	(2,357)
Cash expenditures on asset retirement obligation	**(4,296)**	(1,780)
Net changes in non-cash working capital (Note 25)	**(1,910)**	(17,591)
Cash from operating activities	**136,380**	89,350
Financing Activities		
Long-term debt repayments	**(258,936)**	(568,588)
Proceeds from long-term debt	**180,433**	470,318
Dividends to shareholders, net of dividend reinvestment plan	**(20,295)**	(23,215)
Shares issued for cash	**497**	84,110
Cash used for financing activities	**(98,301)**	(37,375)
Investing Activities		
Acquisition of Magnum Oil (Note 23a)	**(9,498)**	-
Acquisition of Cango Incorporated, net of cash acquired (Note 23b)		(14,787)
Acquisition of Island Petroleum (Note 23c)	**-**	(12,173)
Increase in long-term receivables	**(5,100)**	(2,180)
Additions of property, plant and equipment	**(49,405)**	(45,719)
Additions of intangibles	**-**	(50)
Proceeds on sale of property, plant and equipment and intangibles	**12,695**	32,316
Cash used for investing activities	**(51,308)**	(42,593)
(Decrease) increase in cash	**(13,229)**	9,382
Cash, beginning of year	**27,905**	18,523
Cash, end of year	**14,676**	27,905
Represented by:		
Cash and cash equivalents	**14,676**	24,905
Restricted cash	**-**	3,000
Total cash	**14,676**	27,905
Supplementary Cash Flow Information		
Interest paid	**17,042**	24,550
Interest received	**3,462**	2,839
Income taxes paid	**37,341**	1,820

The accompanying notes are an integral part of these consolidated financial statements.

1. REPORTING ENTITY AND DESCRIPTION OF THE BUSINESS

Parkland Fuel Corporation and its wholly owned subsidiaries (collectively the "Corporation" or "Parkland") is a Canadian independent marketer and distributor of fuels, managing a nationwide network of sales channels for retail, commercial, wholesale and home heating fuel customers. The consolidated financial statements include the accounts of Parkland Fuel Corporation and its wholly-owned subsidiaries. Parkland Fuel Corporation was incorporated under the laws of the Province of Alberta on March 9, 2010 and has its corporate head office at Suite 236, Riverside Office Plaza, 4919 59th Street, Red Deer, Alberta.

2. BASIS OF PREPARATION

(a) General Information

These consolidated financial statements were approved for issue by the board on February 25, 2013.

(b) Statement of Compliance

These audited consolidated financial statements are prepared and reported in Canadian dollars in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). The CICA Handbook incorporates International Financial Reporting Standards ("IFRS") and publically accountable enterprises, like the Corporation, are required to apply such standards. These audited consolidated financial statements have been prepared in full compliance with IFRS as issued by the International Accounting Standards Board ("IASB").

3. CHANGE IN ACCOUNTING POLICY

Presentation of Items of Other Comprehensive Income ("OCI")

Effective July 1, 2012, Parkland adopted an amendment to International Accounting Standard ("IAS") 1 related to the presentation of items of other comprehensive income. The amended standard requires the items to be presented within OCI on the basis of whether they can subsequently be reclassified to the consolidated statement of income and those that cannot be reclassified. The adaptation of this amendment impacted Parkland's presentation of OCI.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Measurement

The consolidated financial statements are prepared on a historical cost basis except as detailed in the Corporation's accounting policies. The accounting policies described below have been applied consistently to all periods presented in these financial statements.

(b) Principles of Consolidation

The financial statements of the Corporation consolidate the accounts of Parkland and its subsidiaries. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation. Subsidiaries are those entities which the Corporation controls by having the power to govern the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Corporation controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by Parkland and de-consolidated from the date that control ceases.

(c) Functional and Presentation Currency

Functional and presentation currency items included in the consolidated financial statements of Parkland are measured using the currency of the primary economic environment in which each entity operates (the "functional currency"). The consolidated financial statements are presented in Canadian dollars, which is Parkland's functional and presentation currency.

(d) Foreign Currency Translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Generally, foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in currencies other than an operation's functional currency are recognized in the consolidated statements of comprehensive income.

(e) Financial Instruments

Financial assets and liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument. Financial assets are de-recognized when the rights to receive cash flows from the assets have expired or have been transferred and the Corporation has transferred substantially all risks and rewards of ownership. Financial liabilities are de-recognized when the contractual obligation that gives rise to the financial liability has been transferred or discharged by performance.

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheets when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, the Corporation classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired.

Financial assets and liabilities at fair value through profit or loss: A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also included in this category unless they are designated as hedges. Risk management assets (Note 9) have been classified as a financial asset and liability at fair value through profit or loss.

Financial instruments in this category are initially recognized and subsequently measured at fair value. Transaction costs are expensed in the consolidated statements of income. Gains and losses arising from changes in fair value are presented in the consolidated statements of income in the period in which they arise. Non-derivative financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond twelve months of the consolidated balance sheets' date, which is classified as non-current.

Available-for-sale investments: Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. Parkland has not designated any financial instruments as available-for-sale investments.

Available-for-sale investments are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in the consolidated statements of income. Available-for-sale investments are classified as non-current, unless the investment matures within twelve months, or management expects to dispose of them within twelve months of the consolidated balance sheets' date.

Interest on available-for-sale investments, calculated using the effective interest method, is recognized in the consolidated statements of income as part of interest income. Dividends on available-for-sale equity instruments are recognized in consolidated statements of income when the Corporation's right to receive payment is established.

Loans and receivables: Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Parkland's loans and receivables are comprised of cash, restricted cash, receivables and long-term receivables. Parkland has designated loans receivable and advances to dealers and customers as long-term receivables. Cash, restricted cash and receivables, the current portion of loans receivable, and the current

portion of advances to dealers and customers are included as current assets due to their short term nature.

Long-term receivables and accounts receivable are initially recognized at the amount expected to be received less a discount to reduce the loans and receivables to fair value. Subsequently, cash, restricted cash, long-term receivables and accounts receivables are measured at amortized cost using the effective interest method less a provision for impairment.

Financial liabilities at amortized cost: Financial liabilities at amortized cost are initially recognized at the amount required to be paid less a discount, when material, to reduce the liabilities to fair value. Subsequently, financial liabilities at amortized cost are measured at amortized cost using the effective interest method. Parkland has designated bank indebtedness, accounts payable and accrued liabilities, dividends/distributions declared and payable, long-term debt, other long-term liabilities, convertible debentures, asset retirement obligations and refinery and terminal remediation accrual as financial liabilities at amortized cost.

Financial liabilities at amortized cost are classified as current liabilities if payment is due within twelve months of the consolidated balance sheet date. Otherwise, they are presented as non-current liabilities.

Derivative financial instruments and hedges: The Corporation uses derivatives in the form of interest rate swaps to manage risks related to its variable rate debt. The Corporation has determined that a designated hedging relationship for these derivatives qualifies for hedge accounting and has elected to apply hedge accounting. For each cash flow hedging relationship, the portion of the change in the fair value of the hedging derivative that was effective in hedging the change in cash flows of the hedged item in recognized in other comprehensive income and the ineffective portion is recognized in net income. If the hedged item is terminated early or sold, or the anticipated hedge transaction is no longer expected to be effective, the gains or losses on the hedging derivatives are reclassified to net income from accumulated other comprehensive income.

(f) Impairment of financial assets

At each reporting date, the Corporation assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Corporation recognizes an impairment loss as follows:

> **Financial assets carried at amortized cost:** The loss is the difference between the amortized cost of the long-term or accounts receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance provision.

Available-for-sale financial assets: The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the consolidated statements of comprehensive income.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized. Impairment losses on available-for-sale financial assets are not reversed.

(g) Inventories

Inventories are stated at lower of cost and net realizable value. Net realizable value is the estimated selling price less applicable selling expenses. Effective October 1, 2012, the accounting policy related to the inventory was clarified to the weighted average cost method to be in line with the Corporation's actual processes. Parkland's inventory consists primarily of fuel, agriculture inputs and lubricants which tend to turnover quickly. Any provision for obsolescence is reduced from the value of inventory. Vendor rebates are received for high volume inventory purchases and are recorded initially as a reduction to inventory with a subsequent reduction in cost of sales when the product is sold.

(h) Cash and Cash Equivalents

Cash and cash equivalents consist primarily of cash in banks, term deposits, certificates of deposit, guaranteed investment certificates and all other highly liquid investments with a maturity of three months or less at the time of purchase.

(i) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost can be measured reliably. The carrying amount of a replaced asset is de-recognized when replaced. Repairs and maintenance costs are expensed as incurred.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Property, plant and equipment that suffered previous impairment are reviewed for possible reversal of the impairment at each reporting date.

(j) Depreciation

Land is not depreciated. Depreciation on the other assets is provided for on a straight-line basis over the estimated useful lives of assets as follows:

Land improvements	25 years
Buildings	20 years
Equipment	5 - 10 years
Assets under capital lease	5 - 10 years (Shorter of useful life or lease term)

Parkland allocates the amount initially recognized in respect of an item of property, plant and equipment to its significant parts and depreciates separately each such part. Residual values, method of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGUs).

Gains and losses on disposals of property, plant and equipment are determined by comparing the disposal proceeds with the carrying amount of the asset and are included as part of other gains and losses in the consolidated statements of comprehensive income.

(k) Intangible Assets and Goodwill

The intangible assets are stated at cost less accumulated amortization, and include customer relationships, trade names, non-compete agreements and software systems with finite useful lives. Amortization of intangible assets is provided for on a straight line basis over the estimated useful lives of assets as follows:

Customer relationships and trade names	5 - 13 years
Non-compete agreements	Term of the agreement
Software systems	10 years

Effective July 1, 2011 the amortization period for customer relationships included in intangible assets has changed. Previous to July 1, 2011, Parkland amortized all customer relationships acquired through acquisition over a five year period. Customer relationships effective July 1, 2011 are amortized over a five to thirteen year period. The impact effective July 1, 2011 onward is to decrease amortization expense by approximately $3,500 a quarter or $14,000 a year. As

at December 31, 2012, the remaining estimated useful life of the costs related to the systems software was 8 years (December 31, 2011 – 9 years).

Intangible assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Impairment is assessed at the CGU level. Intangible assets, other than goodwill, that suffered a previous impairment loss are reviewed for possible reversal of the impairment loss at each reporting date.

Acquisitions are accounted for using the acquisition method, whereby the purchase consideration of the acquisition is allocated to the identifiable assets, liabilities and contingent liabilities on the basis of fair value as of the date of acquisition. Goodwill represents the excess of the purchase price over the fair value of the net identifiable assets expected to benefit from the synergies of the acquisition.

Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The value in use calculation is based on a discounted cash flow model. These calculations require the use of estimates and forecasts of future cash flows. The expected cash flows are derived from budgets and do not include restructuring activities that the Corporation is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. Qualitative factors, including market presence and trends, strength of customer relationships, strength of local management, and degree of variability in cash flows, as well as other factors, are considered when making assumptions with regard to future cash flows and the appropriate discount rate. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. A change in any of the significant assumptions or estimates used to evaluate goodwill and other non-financial assets could result in a material change to the results of operations. The Corporation tests whether goodwill has suffered any impairment at least annually. Other non-financial assets are tested for impairment when indicators of impairment arise.

(l) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any

incentives received from the lessor) are charged to the consolidated statements of comprehensive income on a straight-line basis over the period of the lease.

Parkland leases certain property, plant and equipment. Leases of property, plant and equipment, where Parkland has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term liabilities. The interest element of the finance cost is charged to the consolidated statements of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired through finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

Other leases are operating leases and the leased assets are not recognized on the Parkland's consolidated balance sheets.

(m) Deferred Revenue

Deferred revenue consists of deposits and prepayments from customers for the purchase of agricultural products not yet delivered. Revenue is recorded when products are delivered to customers.

(n) Income Taxes

The Corporation follows the liability method of accounting for income taxes whereby deferred income taxes are recorded for the effect of differences between the accounting and income tax basis of an asset or liability. Deferred income tax assets and liabilities are measured using enacted or substantively enacted income tax rates at the consolidated balance sheets' dates that are anticipated to apply to taxable income in the years in which temporary differences are anticipated to be recovered or settled. Changes to these balances are recognized in net earnings (loss) in the period during which they occur.

(o) Asset Retirement Obligations and Refinery and Terminal Remediation Accrual

Provisions for asset retirement obligations related to underground fuel storage tanks and the Bowden, Alberta refinery and terminal remediation are recognized when the Corporation has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation or to restore the property to its condition upon installation of the fuel storage tanks, the construction and upgrading of the refinery and terminal; and the amount to settle or restore has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Asset retirement obligations are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax credit adjusted discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is included in finance costs.

(p) Revenue

Parkland recognizes revenue on its sale of goods and services when title passes to the purchaser, physical delivery has occurred and collection is reasonably assured. The major categories of revenue include retail and commercial fuel, heating oil, lubricants, agricultural products, convenience store merchandise and other products. Revenue is measured based on the price specified in the sales contract, net of discounts and estimated returns at the time of sale. Historical experience is used to estimate and provide for discounts and returns. Volume discounts are assessed based on anticipated annual purchases. Parkland operates a loyalty program where customers accumulate earnings for purchases made, which entitle them to receive cash. Revenue is recognized for any unclaimed earnings at the expiry of the twelve months after the initial sale.

(q) Cost of sales

Cost of sales includes costs incurred to transport inventory.

(r) Grants of Options and Restricted Units

Parkland accounts for its grants of options and restricted shares in accordance with the fair value based method of accounting for stock-based compensation.

(s) Borrowing Costs

Borrowing costs attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized as interest expense in the consolidated statements of income in the period in which they are incurred.

(t) Customer Finance Income and Finance Costs

Customer finance income is recognized as it accrues in the consolidated statements of income, using the effective interest method.

Finance costs include interest expense on borrowings, accretion on asset retirement obligation and refinery and terminal remediation and loss on interest rate swaps due to de-designation of profits of the hedging item. All borrowing costs are recognized in the consolidated statements of income using the effective interest method, except for those amounts capitalized as part of the cost of qualifying property, plant and equipment.

Foreign currency gains and losses are reported on a net basis.

(u) Dividends

Dividend distributions to Parkland's shareholders are recognized as liabilities in the financial statements in the period in which the dividends are approved by Parkland's Board of Directors.

(v) Earnings Per Share

1) Basic

Basic earnings per share is calculated by dividing the net earnings (loss) of the Corporation by the weighted average number of common shares in issue during the period.

2) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares. The Corporation has two categories of dilutive potential common shares: Debentures and share options. The Debentures are assumed to have been converted into common shares. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Corporation's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated is compared with the number of shares that would have been issued assuming the exercise of the share options.

(w) Use of Estimates

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

Estimates are used when appropriate for accounting purposes. These estimates are subject to measurement uncertainty and the effect on the financial statements of future periods could be material. The carrying values of assets and liabilities that are affected by these estimates are disclosed in the related sections of these notes to the consolidated financial statements.

Estimates are used when accounting for items such as amortization of property, plant and equipment, asset retirement obligations, the refinery and terminal remediation accrual, value in use calculations for impairment, intangible assets and goodwill, impairment and valuation allowances for accounts receivable and inventory, contingent liabilities including matters in litigation, fair value of financial instruments, amortization and income taxes, grants of options and restricted share units, and calculation of fair values for the debentures.

The accounting estimate that has the greatest impact on Parkland's financial results is depreciation and amortization. Depreciation and amortization of Parkland's capital assets and intangible assets incorporate estimates of useful lives and residual values. These estimates may change as more experience is obtained or as general market conditions change impacting the operation of Parkland's capital assets.

Asset retirement obligation and refinery and terminal remediation accrual represents the present value estimate of Parkland's cost to remediate the site. Asset retirement obligations are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax credit adjusted discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Parkland performs impairment tests of long-lived assets with determinable useful lives when indications of impairment exist. Application of judgement is required in determining whether an impairment test is warranted. When indicators support the asset is no longer impaired, Parkland will reverse impairment losses. Similar to the impairment, application of judgement is required to determine whether a reversal should be considered.

Parkland regularly performs a review of outstanding accounts receivable balances greater than 90 days past due to determine eventual collectability. If an account is deemed uncollectable, a provision for bad debt is recorded. Parkland also analyzes the bad debt provision regularly to determine if any of the accounts provided for should be written off. These accounts which are deemed uncollectible could materially change as a result of changes in a customer's financial situation.

Estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the ability to use the underlying future tax deductions against future taxable income before the deductions expire. The assessment is based upon existing tax laws and estimates of future taxable income. Parkland maintains provisions for uncertain tax positions using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. Parkland reviews the adequacy of these provisions at each reporting period.

Compensation expense for options under the Share Option Plan and Restricted Share Unit Plan are estimated based on various assumptions at grant date, such as volatility and expected life

using the Black-Scholes methodology to produce an estimate of the fair value of such compensation and are re-measured at the end of each reporting period.

The conversion feature in the convertible debentures is valued by binomial method using various assumptions for volatility, market price and dividend yield.

(x) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to senior management. Senior management responsible for allocating resources and assessing performance of the operating segments has been identified to include the Chief Executive Officer (CEO), Chief Financial Officer (CFO), vice presidents and members of the Board of Directors.

5. RECENTLY ANNOUNCED ACCOUNTING PRONOUNCEMENTS

Parkland is in the process of evaluating the impact of the following new requirements:

(a) IFRS 9 – Financial Instruments

In November 2009, as part of the International Accounting Standards Board's (IASB) project to replace International Accounting Standard (IAS) 39 Financial Instruments: Recognition and Measurement, the IASB issued the first phase of IFRS 9 Financial Instruments, that introduces new requirements for the classification and measurement of financial assets. The standard was revised in October 2010 to include requirements regarding classification and measurement of financial liabilities and is applicable for annual periods starting on or after January 1, 2015. The full impact of the changes in accounting for financial instruments will not be known until the IASB's project has been completed. Parkland has not decided whether to early adopt this standard.

(b) IFRS 10 – Consolidated Financial Statements

In May 2011, the IASB issued IFRS 10 which replaces all the guidance on the control and the consolidation requirements presented in IAS 27 Consolidated and Separate Financial Statements and SIC – 12 Consolidation – Special Purpose Entities. IFRS 10 changes the definition of control which focuses on the need to have both power and variable economic returns before control is present. Power is the current ability to direct the activities that significantly influence economic returns. Returns must vary and can be positive, negative or both. The renamed IAS 27 continues to be a standard dealing solely with separate financial statements and its guidance is unchanged. This standard is effective for annual periods beginning on or after January 1, 2013.

(c) IFRS 12 – Disclosure of Interest in Other Entities

In May 2011, the IASB issued IFRS 12 which sets out the required disclosures for the entities reporting under IFRS 10. IFRS 12 introduces significant additional disclosure requirements which will assist financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates and unconsolidated structured entities. This standard is effective for annual periods beginning on or after January 1, 2013.

(d) IFRS 13 - Fair Value Measurement

On May 12, 2011 the IASB issued IFRS 13, a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. IFRS 13 is effective for annual periods beginning on or after January 1, 2013.

The Corporation has not yet assessed the impact of these standards. Parkland will adopt IFRS 10, IFRS 12 and IFRS 13 effective on January 1, 2013.

6. EARNINGS ANALYSIS AND EARNINGS PER SHARE

	Year ended December 31,	
	2012	2011
Net earnings, basic	**84,854**	43,915
Interest and accretion on convertible debentures, net of tax	**7,610**	8,178
Net earnings, diluted	**92,464**	52,093
Earnings per share		
- basic	**1.28**	0.74
- diluted	**1.22**	0.73
Equivalent shares outstanding, beginning of year	**64,354**	53,164
Weighted average of Common Shares issued	**-**	4,200
Weighted average of equivalent shares issued pursuant to restricted share unit plan	**109**	278
Weighted average of equivalent shares issued pursuant to dividend reinvestment plan	**1,922**	1,610
Weighted average of equivalent shares issued pursuant to exercise of share options	**44**	177
Weighted average of equivalent shares issued pursuant to conversion of convertible debentures	**15**	1
Denominator utilized in basic earnings per share	**66,444**	59,430
Incremental equivalent share options that were dilutive	**72**	54
Incremental equivalent shares for debentures that were dilutive	**9,240**	12,167
Denominator utilized in diluted earnings per share	**75,756**	71,651

7. ACCOUNTS RECEIVABLE

	December 31, 2012	December 31, 2011
Trade accounts receivable	**269,482**	282,339
Miscellaneous, government and other non-trade accounts receivable	**64,750**	58,086
Allowance for doubtful accounts	**(8,144)**	(10,667)
	326,088	329,758

Miscellaneous, government and other non-trade accounts receivable includes over-remittances of fuel and other taxes made to federal and provincial jurisdictions.

8. INVENTORIES

	December 31, 2012	December 31, 2011
Gas and diesel	**43,681**	52,098
Propane	**1,164**	2,324
Agricultural inputs	**7,443**	7,403
Lubricants	**21,382**	19,606
Other	**2,241**	2,826
	75,911	84,257

For the year ended December 31, 2012, the amount of inventory recognized as cost of goods sold amounted to $3,691,933 (December 31, 2011 - $3,566,030).

9. RISK MANAGEMENT

The fair value of the outstanding NYMEX New York harbour WTI to heating oil and gasoline put option contracts (the "risk management asset") are reflected on the consolidated balance sheets with the changes during the period recorded in the consolidated statements of income and loss within realized and unrealized risk management loss.

The fair value of the outstanding interest rate swaps (the "risk management liability") are reflected on the consolidated balance sheets with the changes during the period recorded in the consolidated statement of comprehensive income.

As at December 31, 2012 and December 31, 2011, the risk management asset, and the risk management liability were measured at fair value based on "Level 2 inputs".

The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

Risk Management Asset

NYMEX New York harbour WTI to heating oil and gasoline put option contracts are carried at fair value as follows:

	January 1, 2012 to December 31, 2012	January 1, 2011 to December 31, 2011
Total fair value, beginning of year	347	-
Additions	10,745	1,275
Unrealized loss	(3,709)	(928)
Realized loss	(5,368)	-
Total fair value, end of year	2,015	347

Fair values are determined using external counterparty information, which is compared to observable market data. Parkland limits its credit risk by executing counterparty risk procedures which include transacting only with financial institutions within Parkland's Credit Facility (see Note 15).

Based in December 31, 2012 pricing, a $1.00 change in the price per barrel of NYMEX New York harbour WTI to heating oil is estimated to change pre-tax loss on put option contracts by approximately $375 (2011 - $77).

Parkland had the following put option contracts (represented as the difference between NYMEX New York harbour WTI to heating oil and gasoline) outstanding as at December 31, 2012.

Notional Volume and Term	Pricing	Fair Value
Heating Oil		
84,000 bbls per month in the months of January to March, 2013	US$30.00/bbl	260
108,000 bbls per month in the months of April to June, 2013	US$32.50/bbl	830
Gasoline		
186,000 bbls per month in the months of January to March, 2013	US$25.00/bbl	925
		2,015

Risk Management Liability

Interest rate swaps designated as hedging instruments are carried at fair value as follows:

	January 1, 2012 to December 31, 2012	January 1, 2011 to December 31, 2011
Total fair value, beginning of year	**-**	-
Loss during the year	**929**	-
Total fair value, end of year	**929**	**-**

BUSINESS RISKS

Credit Risk

A substantial portion of Parkland's accounts receivable balance is with customers in the oil and gas, mining and forestry industries and is subject to normal industry credit risks. The credit risk is minimized by Parkland's broad customer and geographic base. Parkland manages its exposure to credit risk through rigorous credit granting procedures, typically short payment terms and security interests where applicable. Parkland attempts to closely monitor the financial conditions of its customers and the industries in which they operate. Parkland performs ongoing credit evaluations of its customers and outstanding debts are regularly monitored and when deemed uncollectible a provision is established. At December 31, 2012, the provision for impairment of credit losses was $8,144 (December 31, 2011 - $10,667).

Parkland does not have a significant credit exposure to any individual customer. Parkland reviews each new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. The maximum exposure to credit risk at the reporting date is the carrying value of Parkland's accounts receivable balance. Parkland does not hold any collateral as security.

As at December 31, 2012	**Current or within terms**	**31 - 60 Days past terms**	**61 - 90 Days past terms**	**Over 90 Days past terms**	**Total**
Trade Accounts Receivable, net of Allowance for Doubtful Accounts	**235,265**	**12,720**	**4,055**	**9,298**	**261,338**
Accounts Payable	**175,001**	**1,192**	**203**	**163**	**176,559**

As at December 31, 2011	Current or within terms	31 - 60 Days past terms	61 - 90 Days past terms	Over 90 Days past terms	Total
Trade Accounts Receivable, net of Allowance for Doubtful Accounts	250,831	7,571	4,803	8,467	271,672
Accounts Payable	194,728	1,374	184	74	196,360

Interest Rate Risk

Parkland is exposed to market risk from changes in the Canadian prime interest rate and Bankers' Acceptance rate which can impact its borrowing costs. Parkland analyzes the interest rate risk on a regular basis and mitigates that risk by considering refinancing, renewal of existing credit lines and hedging options. A 1% change in these interest rates would have caused an increase or decrease to earnings for the year ended December 31, 2012 of $1,902 (December 31, 2011 - $2,494).

On March 15, 2012, Parkland entered into interest rate swaps covering $150,000 of borrowings under its Credit Facility (see Note 15). As of December 31, 2012, the outstanding balance of the Credit Facility covered by interest rate swaps was $110,000. The swaps require Parkland to pay a fixed interest rate of 1.69% plus 1.75%. The interest rate swaps expire on June 30, 2014 and Parkland will be exposed to variations in the interest rate on its Credit Facility after this date unless Parkland enters into additional hedging agreements in the future. A 0.1% change in the market interest rate for the balance of the term of the swap would have caused an increase or decrease to comprehensive income (loss) for the year ended December 31, 2012 of $82 and to finance costs of $22 due to de-recognition of ineffective portion of the hedging item.

Foreign Currency Rate Risk

Parkland purchases certain products in U.S. dollars and sells such products to its customers typically in Canadian dollars. As a result, fluctuations in the value of the Canadian dollar to the unbilled U.S. dollar can result in foreign exchange gains and losses. As at December 31, 2012 Parkland had U.S. dollar accounts payable totalling $US825 and U.S. dollar cash of $US63. Parkland purchases U.S. funds as required to pay U.S. dollar denominated invoices. Parkland does not forward contract purchases of U.S. funds. U.S. dollar accounts payable are payable in terms of less than 15 days. In the opinion of Parkland management there is no significant risk of exposure to foreign exchange loss due to fluctuations of exchange rates.

Liquidity Risk

Liquidity risk is the risk that Parkland will encounter difficulties in meeting its short term financial obligations. Cash liquidity of Parkland is mainly provided by cash flows from operating activities and borrowings available under its Credit Facility (see Note 15). In managing liquidity risk, Parkland has access to various credit products at competitive rates. As at December 31, 2012, Parkland has available unused credit facilities in the amount of $263,878 (December 31, 2011 - $194,298). Parkland believes it has sufficient funding through the use of its facility to meet foreseeable borrowing requirements.

Undiscounted cash outflows relating to financial liabilities are outlined in the tables below:

As at December 31, 2012	2013	2014	2015	2016	2017	Thereafter	Total
Accounts payable	176,559	-	-	-	-	-	176,559
Dividends declared and payable	5,777	-	-	-	-	-	5,777
Long-term debt, including capital lease obligations (1)	5,850	5,079	4,972	159,092	163	516	175,672
Obligations under operating leases	8,498	6,653	5,852	5,111	4,479	10,414	41,007
Other long-term liabilities (1)	268	-	-	-	-	-	268
Convertible debentures (1)	8,878	105,137	47,561	-	-	-	161,576

(1) Principal and interest, including current portion

As at December 31, 2011	2012	2013	2014	2015	2016	Thereafter	Total
Accounts payable	196,360	-	-	-	-	-	196,360
Dividends declared and payable	5,469	-	-	-	-	-	5,469
Long-term debt, including capital lease obligations (1)	11,653	9,850	231,951	95	60	679	254,288
Obligations under operating leases	5,975	6,530	5,121	4,113	3,499	10,723	35,961
Other long-term liabilities (1)	2,448	288	-	-	-	-	2,736
Convertible debentures (1)	8,964	8,940	106,125	47,586	-	-	171,615

(1) Principal and interest, including current portion

10. PROPERTY, PLANT AND EQUIPMENT

Year Ended December 31, 2012	Land	Land Improvements	Buildings	Assets under Capital Lease	Plant and Equipment	Total
Cost						
Balance, as at January 1, 2012	**43,821**	**27,930**	**69,037**	**7,141**	**261,929**	**409,858**
Additions	**11**	**1,503**	**5,522**	**-**	**52,462**	**59,498**
Disposals	**(6,304)**	**(692)**	**(3,715)**	**-**	**(9,291)**	**(20,002)**
Balance, as at December 31, 2012	**37,528**	**28,741**	**70,844**	**7,141**	**305,100**	**449,354**
Accumulated depreciation						
Balance, as at January 1, 2012	**-**	**5,559**	**22,570**	**2,997**	**131,771**	**162,897**
Depreciation charge for the year	**-**	**754**	**4,139**	**2,329**	**27,875**	**35,097**
Disposals	**-**	**(201)**	**(754)**	**-**	**(6,089)**	**(7,044)**
Balance, as at December 31, 2012	**-**	**6,112**	**25,955**	**5,326**	**153,557**	**190,950**
Carrying amount						
As at December 31, 2012	**37,528**	**22,629**	**44,889**	**1,815**	**151,543**	**258,404**

Year ended December 31, 2011	Land	Land Improvements	Buildings	Assets under Capital Lease	Plant and Equipment	Total
Cost						
Balance, as at January 1, 2011	33,530	19,509	70,941	7,141	261,708	392,829
Additions	13,408	8,799	4,824	-	31,735	58,766
Disposals	(3,117)	(378)	(6,728)	-	(31,514)	(41,737)
Balance, as at December 31, 2011	43,821	27,930	69,037	7,141	261,929	409,858
Accumulated depreciation						
Balance, as at January 1, 2011	-	4,916	20,266	1,181	123,869	150,232
Depreciation charge for the year	-	847	4,053	1,816	31,337	38,053
Disposals	-	(204)	(1,749)	-	(23,435)	(25,388)
Balance, as at December 31, 2011	-	5,559	22,570	2,997	131,771	162,897
Carrying amount						
As at December 31, 2011	43,821	22,371	46,467	4,144	130,158	246,961

At December 31, 2012, Parkland had assets under construction of $7,012 (December 31, 2011 - $17,391) consisting primarily of retail stations.

In August 2011, Parkland divested long-haul transportation assets for proceeds of $25,150, with a gain on disposal of $12,817.

11. INTANGIBLE ASSETS

Year Ended December 31, 2012	Customer Relationships	Trade names	Non-compete agreements	Software systems	Total
Cost					
Balance, as at January 1, 2012	**153,509**	**6,416**	**3,309**	**18,072**	**181,306**
Additions	**4,795**	**185**	**526**	**-**	**5,506**
Disposals	**-**	**-**	.	**-**	**-**
Balance, as at December 31, 2012	**158,304**	**6,601**	**3,835**	**18,072**	**186,812**
Accumulated amortization					
Balance, as at January 1, 2012	**52,476**	**5,331**	**1,862**	**2,259**	**61,928**
Amortization charge for the year	**14,976**	**450**	**678**	**1,807**	**17,911**
Balance, as at December 31, 2012	**67,452**	**5,781**	**2,540**	**4,066**	**79,839**
Carrying amount					
As at December 31, 2012	**90,852**	**820**	**1,295**	**14,006**	**106,973**

Year ended December 31, 2011	Customer Relationships	Trade names	Non-compete agreements	Software systems	Total
Cost					
Balance, as at January 1, 2011	127,674	6,366	3,309	18,072	155,421
Additions	25,863	50	-	-	25,913
Disposals	(28)	-	-	-	(28)
Balance, as at December 31, 2011	153,509	6,416	3,309	18,072	181,306
Accumulated amortization					
Balance, as at January 1, 2011	31,353	4,060	1,204	452	37,069
Amortization charge for the year	21,123	1,271	658	1,807	24,859
Balance, as at December 31, 2011	52,476	5,331	1,862	2,259	61,928
Carrying amount					
As at December 31, 2011	101,033	1,085	1,447	15,813	119,378

12. GOODWILL

	January 1, 2012 to December 31, 2012	January 1, 2011 to December 31, 2011
Balance, beginning of year	**89,883**	90,369
Acquired through Magnum Oil purchase (Note 23a)	**1,255**	-
Acquired through Island Petroleum purchase (Note 23c)	**-**	(486)
Balance, end of year	**91,138**	89,883

The Corporation tested the goodwill for impairment as at December 31, 2012 and December 31, 2011 and no impairment of goodwill recorded as a result of this analysis. The recoverable amount of the CGU was determined on a value in use basis.

The balances of $89,883 and $1,255 have been allocated to the fuel marketing segment and the non-fuel commercial segment, respectively.

The testing of impairment used pre-tax cash flow projections based on expected performance and on management's expectations of market developments. The growth rates used were consistent with the forecasts included in industry reports which were developed based on macro-economic factors such as inflation rates and demand-supply fundamentals. Cash flows beyond the one year period were extrapolated using the estimated growth rates below. Pre-tax discount rates reflect specific risks relating to the CGU. The key assumptions used for the calculations at December 31, 2012 and December 31, 2011 are as follows:

	2012	2011
Long term growth rate	2.0%	2.0%
Pre-tax discount rate	10.0%	12.0%
Budgeted Gross Margin Cents Per Litre (CPL)	5-9 CPL	5-9 CPL

13. LONG-TERM RECEIVABLES

Long-term receivables consist of loans and advances to dealers and customers.

Loans receivable are repayable in monthly instalments of $148 (December 31, 2011 - $79), bear interest at rates ranging between nil% and 10.25% (December 31, 2011 - nil% and 10.25%) and are secured by specific assets of the borrower. As at December 31, 2012, the outstanding balance related to loans receivable was $1,682 (December 31, 2011 - $977)

Advances to dealers and customers are amortized based on the volume of fuel product purchased from Parkland. For every litre of fuel product purchased by the dealer or customer a portion of the loan is recognized as a reduction of sales and operating revenue. Advances to dealers and customers are secured by specific assets of the dealers and customers. As at December 31, 2012, the outstanding balance related to advances to dealers and customers was $8,633 (December 31, 2011 - $5,330)

The current portion of loans receivable and advances to dealers and customers is included in accounts receivable in current assets.

14. INCOME TAXES

Income tax expense

	Year ended December 31,	
	2012	2011
Current tax:		
Current tax on earnings for the year	**39,436**	18,113
Adjustments in respect of prior years	**913**	1,943
Total current tax	**40,349**	20,056
Deferred tax:		
Origination and reversal of temporary differences	**(4,514)**	(2,357)
Adjustments in respect of prior years	**3,082**	-
Total deferred tax (recovery)	**(1,432)**	(2,357)
Income tax expense	**38,917**	17,699

The tax on Parkland's earnings before income tax differs from the theoretical amount that would arise using the statutory tax rate applicable to earnings of the consolidated entities as follows:

	Year ended December 31,	
	2012	2011
Earnings before income tax	**123,771**	61,614
Tax calculated at statutory tax rates	**33,171**	17,104
Tax effects of:		
Non-taxable portion of gain on sale of property, plant and equipment	**(213)**	(563)
Non-deductible expenses	**839**	215
Adjustments in respect of prior years	**3,995**	1,943
Rate differential and other items	**1,125**	(1,000)
Tax charge	**38,917**	17,699

The statutory tax rate was 26.8% (2011 – 27.8%). The decrease in the statutory tax rate was primarily due to a decrease in the Ontario provincial tax rate and a change in the provincial allocation of earnings.

Deferred income tax

Deferred income tax	**December 31, 2012**	December 31, 2011
Deferred tax assets	**8,509**	10,024
Deferred tax liabilities	**(4,967)**	(8,034)
Deferred tax assets (net)	**3,542**	1,990

Deferred tax assets of $229 (December 31, 2011 - $723) and deferred tax liabilities of $1,781 (December 31, 2010 - $2,899) are expected to reverse during the next 12 months.

The gross movement on the deferred income tax account is as follows:

	January 1, 2012 to December 31, 2012	January 1, 2011 to December 31, 2011
Balance, beginning of year	**1,990**	4,778
Acquisition of subsidiary - Cango Inc. (note 23a)	**-**	(5,145)
Income statement charge	**1,432**	2,357
Other comprehensive income charge	**120**	-
Balance, end of year	**3,542**	1,990

The movement in deferred income tax assets and liabilities during the year is as follows:

	Consolidated Statements of comprehensive income		Consolidated Balance Sheets	
	2012	2011	**Dec 31, 2012**	Dec 31 2011
Property, plant and equipment	**5,427**	**(2,593)**	**(17,323)**	(11,896)
Intangibles	**(3,890)**	**6,503**	**9,477**	5,587
Asset retirement obligations	**(1,452)**	**(2,063)**	**8,118**	6,666
Refinery remediation	**(793)**	**(801)**	**3,735**	2,942
Fair value gains	**(1,118)**	**1,173**	**(1,781)**	(2,899)
Derivatives and hedges	**(1,121)**	**-**	**1,241**	-
Other	**1,515**	**(4,576)**	**75**	1,590
	(1,432)	(2,357)	**3,542**	1,990

Deferred income tax has not been recognized for temporary differences arising on investments in subsidiaries because the reversal of the temporary differences can be controlled and it is probable that the differences will not be reversed in the foreseeable future.

15. FINANCING AND CREDIT FACILITIES

(a) Long-Term Debt

	December 31, 2012	December 31, 2011
Extendible facility	**155,000**	227,431
Capital lease obligations	**1,374**	4,029
Other loans	**322**	578
	156,696	232,038
Less deferred financing costs	**(2,250)**	(1,018)
	154,446	231,020
Less current portion	**(906)**	(2,779)
	153,540	228,241

Estimated repayments for the next five years are:

	2013	2014	2015	2016	2017	Thereafter	Interest expense included in minimum lease payments	Total
Obligations under capital lease	804	86	60	60	163	517	(316)	1,374
Extendible Facility and Other loans	169	117	36	155,000	-	-	-	155,322
	973	203	96	155,060	163	517	(316)	156,696

(b) Credit Facility

A revolving extendible credit facility (the "Credit Facility") agreement was executed on September 30, 2011 for a period of three years and subsequently amended on August 7, 2012 to extend the maturity date an additional two years to June 30, 2016. The facility is extendible each year for a rolling three-year period at the option of Parkland. If the Credit Facility is not extended past the maturity date of June 30, 2016, all amounts outstanding are repayable on the maturity date.

The Credit Facility is for a maximum amount of $450,000 (December 31, 2011 - $450,000) with interest only payable at the bank's prime lending rate plus 0.75% to 2.00% (December 31, 2011 – 1.0% to 2.5%) per annum.

The Credit Facility includes the following components:

i) A revolving operating loan to a maximum of $450,000 less the value of letters of credit issued (December 31, 2011 - $450,000). As at December 31, 2012, the outstanding balances totalled $155,000 (December 31, 2011 - $227,431). The revolving operating loan bears interest at prime plus 0.75% (December 31, 2011 prime plus 1.5%) or Bankers' Acceptance rate plus 1.75% (December 31, 2011 Bankers' Acceptance rate plus 2.5%). The interest rate at December 31, 2012 was 3.75% for prime-based loans (December 31, 2011 4.5% prime based loans) and 2.98% for Bankers' Acceptance based loans (December 31, 2011 Bankers' Acceptance based loans 3.45%).

ii) A letter of credit facility to a maximum of $60,000 (December 31, 2011 - $60,000). As at December 31, 2012, outstanding balances totalled $31,182 (December 31, 2011 - $28,173) which mature at various dates up to July 31, 2013.

The revolving operating loan incurs standby fees for any unused portion of the facility at a rate of 0.39375% to 0.6750% (December 31, 2011 – 0.5% to 0.8750%) depending on the ratio of funded debt to earnings before interest, taxes and depreciation and amortization ("EBITDA" a non-GAAP financial measure). See Note 21 for a reconciliation of net earnings to EBITDA). Security on the Credit Facility is the assignment of insurance and a floating charge demand debenture for $650,000 creating a first floating charge over all of the undertaking, property and assets of Parkland.

Deferred finance charges of $2,250 (December 31, 2011 - $1,018) have reduced the value of the Credit Facility and are amortized in proportion to the facility utilized.

At December 31, 2012, Parkland was in compliance with all debt covenants. Debt covenant ratios are tested on a trailing four quarter EBITDA basis. The financial covenants under the Credit Facility are as follows:

1. Ratio of current assets to current liabilities shall not be less than 1.10 to 1.00 on a consolidated basis;
2. Ratio of funded debt (which excludes the convertible debentures but includes issued letters of credit) to EBITDA shall not exceed 3.00 to 1.00 during the second and fourth quarters and shall not exceed 3.50 to 1.00 during the first and fourth quarters of Parkland's fiscal year; and
3. Ratio of EBITDA less maintenance capital expenditures and taxes to the sum of interest, principal and dividends after DRIP proceeds shall not be less than 1.15 to 1.00;

(c) Capital Lease Obligations

Capital leases are payable in monthly instalments totalling $72 (December 31, 2011 - $126) including interest varying from 0% to 8.05% (December 31, 2011 - 0% to 8.05%). The leases are for land, buildings and equipment with a net book value of $1,815 (December 31, 2011 - $5,382), and mature at various dates ending up to July 2022.

16. OTHER LONG-TERM LIABILITIES

The other long-term liabilities are non-interest bearing loans from a vendor of Bluewave Energy Limited Partnership, with principal repayments of $250 in 2013 (2012 - $2,236). The debt has been recorded at amortized cost. Other long-term liabilities were valued using an interest rate of 7.6% (December 31, 2011 – 7.6%).

17. CONVERTIBLE DEBENTURES

On December 1, 2009, Parkland issued $97,750 principal amount of 6.5% series 1 convertible unsecured subordinated debentures ("Series 1 Debentures"), at a price of $1 per debenture. Interest on the Series 1 Debentures is paid semi-annually in arrears, on November 30 and May 31 in each year commencing May 31, 2010. On December 21, 2010, Parkland issued $45,000 principal amount of 5.75% series 2 convertible unsecured subordinated debentures ("Series 2 Debentures"), at a price of $1 per debenture. Interest on the Series 2 Debentures is paid semi-annually in arrears, on June 30 and December 31 in each year commencing June 30, 2011. Collectively, the Series 1 Debentures and the Series 2 Debentures are referred to as the "Debentures". The Debentures are convertible at the option of the holder at any time into common shares of the Corporation at a conversion price of $14.60 per share for the Series 1 Debentures and $18.00 per share for the Series 2 Debentures.

The Series 1 Debentures mature on November 30, 2014 and the Series 2 Debentures mature on December 31, 2015 at which time the Debentures are due and payable. The Series 1 Debentures may be redeemed in whole or in part at the option of Parkland on or after November 30, 2012 and prior to November 30, 2013 and the Series 2 Debentures may be redeemed in whole or in part at the option of Parkland on or after December 31, 2013 and prior to December 31, 2014, on not more than 60 days and not less than 30 days prior notice at a price equal to the principal amount thereof plus accrued and unpaid interest, provided that the current market

price of the common shares of Parkland on the date immediately preceding the date on which the notice of redemption is given is not less than 125% of the conversion price. The Debentures may be redeemed prior to their maturity dates in whole or in part at a price equal to their principal amount plus accrued and unpaid interest on or after November 30, 2013 for the Series 1 Debentures and on or after December 31, 2014 for the Series 2 Debentures.

Upon the maturity or redemption of the Debentures, Parkland may pay the outstanding principal of the Debentures in cash or may, at its option, on not greater than 60 days and not less than 40 days prior notice and subject to regulatory approval, elect to satisfy its obligations to repay all or a portion of the principal amount of the Debentures which have matured or been redeemed by issuing and delivering that number of common shares obtained by dividing the aggregate principal amount of the Debentures which have matured or redeemed by 95% of the weighted average trading price of the common shares of Parkland on the Toronto Stock Exchange for the 20 consecutive trading days ending five trading days preceding the date fixed for redemption or the maturity date, as the case may be. Any accrued and unpaid interest thereon will be paid in cash.

The following table reconciles the principal amount, debt component and equity component of the Debentures.

	January 1, 2012 to December 31, 2012		January 1, 2011 to December 31, 2011	
	Principal Amount of Debentures	**Convertible Debenture Debt**	Principal Amount of Debentures	Convertible Debenture Debt
Series 1 Debentures				
Balance, beginning of year	**97,750**	**92,166**	97,750	90,358
Conversion to common shares	**(956)**	**(956)**		
Change due to passage of time	**-**	**1,920**	-	1,808
Balance, end of year	**96,794**	**93,130**	97,750	92,166
Series 2 Debentures				
Balance, beginning of year	**44,975**	**43,378**	45,000	43,002
Conversion to common shares	**-**	**-**	(25)	(25)
Change due to passage of time	**-**	**399**	-	401
Balance, end of year	**44,975**	**43,777**	44,975	43,378
Series 1 and Series 2 Debentures, end of year	**141,769**	**136,907**	142,725	135,544

18. ASSET RETIREMENT OBLIGATIONS

	January 1, 2012 to December 31, 2012	January 1, 2011 to December 31, 2011
Asset retirement obligations, beginning of year	**25,478**	12,338
Additional provisions during the year	**9,059**	9,414
Amounts used during the year	**(4,296)**	(1,780)
Unused amounts reversed during the year	**(1,097)**	(1,061)
Change due to passage of time and discount rate	**1,149**	6,567
Asset retirement obligations, end of year	**30,293**	25,478

Parkland is liable for the environmental obligations related to the removal of its underground storage tanks at properties that it leases and owns. The asset retirement obligation represents the present value estimate of Parkland's cost to remove these tanks. The total undiscounted estimated future cash flows required to settle Parkland's obligation was $48,353 at December 31, 2012 (December 31, 2011 - $41,518). The costs are expected to be incurred between 2012 and 2046. At December 31, 2012, the discount rate used to determine the present value of the future costs was 3.89% (December 31, 2011 – 4.31%).

19. REFINERY AND TERMINAL REMEDIATION ACCRUAL

	January 1, 2012 to December 31, 2012	January 1, 2011 to December 31, 2011
Refinery and terminal remediation accrual, beginning of year	**11,242**	6,827
Additions during the year	**1,742**	1,147
Change due to passage of time and discount rate	**973**	3,268
Refinery and terminal remediation accrual, end of year	**13,957**	11,242

In December 2004, Parkland eliminated the carrying value of its Bowden refinery and recorded a net liability of $3,400 for future estimated costs of remediation of the site. The refinery and terminal remediation accrual represents the present value estimate of Parkland's cost to remediate the site.

During the fourth quarter of 2012, Parkland completed the upgrade of the Bowden facility and placed into the service the equipment to be used as a railroad terminal for shipping products by rail and use of the tanks on site for storage. This resulted in addition of $1,224 to the balance of refinery and terminal remediation accrual as at December 31, 2012.

Parkland has estimated the discounted cost of remediation on the basis that remediation would be part of a multi-year management plan. Remediation costs have been estimated using engineering studies conducted in December 2007 and updated by the Corporation's management in 2012. The total undiscounted estimated future cash flows required to settle Parkland's obligation was $31,777 at December 31, 2012 (December 31, 2011 - $18,080). The costs are expected to be incurred between 2018 and 2041 (December 31, 2011 – 2018 to

2027). At December 31, 2012, the discount rate used to determine the present value of the future costs was 3.89% (December 31, 2011 – 4.31%).

20. SHAREHOLDERS' CAPITAL

(a) Shareholders' Capital

Authorized capital of Parkland consists of an unlimited number of common shares and an unlimited number of preferred shares issuable in series.

	January 1, 2012 to December 31, 2012		January 1, 2011 to December 31, 2011	
	Number of Shares	**Amount**	Number of Shares	Amount
Shares				
Balance, beginning of year	**64,354**	**300,981**	53,164	179,804
Issued under dividend reinvestment plan	**3,372**	**47,191**	3,443	37,042
Issued on vesting of restricted shares	**109**	**-**	390	-
Issued for cash, net of issue costs	**-**	**-**	7,130	82,597
Issued under share option plan	**73**	**463**	226	1,513
Issued upon conversion of debentures	**65**	**956**	1	25
Balance, end of year	**67,973**	**349,591**	64,354	300,981

On May 12, 2011, Parkland entered into an agreement with a syndicate of underwriters ("Underwriters"), under which the Underwriters purchased for resale to the public, on a bought deal basis 7,130 common shares in the capital of Parkland, at a price of $12.10 per common share resulting in aggregate gross proceeds of $86,273.

In January 2011, Parkland launched the Premium Dividend and Enhanced Dividend Reinvestment Plan as a means to incrementally raise equity capital for growth and other corporate purposes.

The Premium Dividend Plan provides eligible shareholders with a 2% cash premium on top of their regular cash dividend. Participants electing this option will receive a monthly payment of $0.0867 per share. The Enhanced Dividend Reinvestment Plan allows shareholders to purchase additional shares with their dividend at a 5% discount to the volume weighted average price as defined by the plan. Those shareholders who do not elect to participate in the Premium Dividend and Enhanced Dividend Reinvestment Plan will still receive their regular monthly dividend of $0.085 per share.

During 2012, Parkland declared dividends amounted to $67,751 or $0.085 per share (2011 - $60,516, $0.085 per share). On January 14, 2013, the Corporation declared a monthly dividend of $0.085 per share for a total dividend of $5,812. On February 13, 2013, Parkland declared a monthly dividend of $0.085 per share for a total dividend of approximately $5,869. The dividend declared on January 14, 2013 was paid on February 15, 2013 to the shareholders on record on

January 22, 2013. The dividend declared on February 13, 2013 will be paid on March 15, 2013 to the shareholders on record on February 25, 2013.

(b) Share Option Plan

Parkland has a Share Option Plan under which Parkland may issue from treasury, together with any other compensation arrangement, an amount not to exceed 10% of the issued and outstanding common shares. The eligible participants are officers, employees or consultants of the Corporation. The exercise price shall be fixed by the Board of Directors at the time of grant; provided that the exercise price shall not be less than fair market value of the common shares. Each annual vesting tranche is considered a separate award with its own vesting period and grant date fair value. Fair value of each annual vesting tranche is measured at the date of grant using the Black-Scholes option pricing model. Compensation expense is recognized over the tranche's vesting period by increasing contributed surplus based on the number of awards expected to vest. The number of awards expected to vest is reviewed at least annually, with any impact being recognized immediately.

Share options outstanding at December 31, 2012 have the following expiry date and exercise prices:

Grant-vest	Expiry Date	Exercise price in $ per option	Options 2012	2011
2003-6	Jan 2014	4.15	**-**	27
2004-7	Jan 2014	6.32	**15**	12
2004-7	Jan 2014	6.68	**15**	15
2005-8	Jan 2015	7.10	**-**	10
2005-8	Jan 2015	7.27	**30**	57
2011-12	May 2019	10.47	**29**	29
2011-12	May 2019	12.25	**143**	156
2011-13	May 2019	10.47	**29**	29
2011-13	May 2019	12.25	**142**	156
2011-14	May 2019	10.47	**29**	29
2011-14	May 2019	12.25	**142**	156
2012-13	May 2020	13.80	**139**	-
2012-14	May 2020	13.80	**139**	-
2012-15	May 2020	13.80	**139**	-
			991	676

The total compensation cost that has been included in marketing, general and administrative expenses for the year ended December 31, 2012 amounted to $403 (December 31, 2011 - $340).

	January 1, 2012 to December 31, 2012		January 1, 2011 to December 31, 2011	
	Number of Options	Average Exercise Price Per Option	Number of Options	Average Exercise Price Per Option
Option shares, beginning of year	676	$ 10.98	347	$ 6.79
Granted	417	13.80	596	11.99
Exercised	(73)	6.36	(227)	6.68
Forfeited	(29)	12.25	(40)	12.25
Option shares, end of year	991	$ 12.40	676	$ 10.98
Exercisable options, end of year	232	$ 10.64	121	$ 6.39

Out of the 991 outstanding options (2011 - 676 options), 232 options (2010 - 121) were exercisable. Options exercised in 2012 resulted in 73 (2011 – 227) shares being issued at a weighted average price of $6.36 each (2010 - $6.68 each). The related weighted average share price over the period of exercise was $15.40 (2010 - $11.59) per share.

The weighted average fair value of options granted during the year using the Black-Scholes valuation model was $1.46 (2011 - $1.23) per option. The significant inputs into the model were weighted average share price of $13.80 (2011 - $11.99) at the grant date, exercise price of $13.80 (2011 - $11.99), volatility of 26.3% (2011 – 27.1%), dividend yield of 7.39% (2011 – 8.33%), an expected option life of eight years and an annual risk-free interest rate of 1.37% (2011 – 2.04%). The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last two years.

(c) Restricted Share Unit Plan

Parkland awards certain directors, officers, employees and consultants restricted share units ("RSU's) at no cost, and the restricted share units are expensed uniformly over their vesting period. The fair market value of the award is based on the volume weighted average trading price for the Shares on the Toronto stock exchange for the five trading days immediately preceding the date of the grant.

Under the Restricted Share Unit Plan, the units granted in 2006 vest over a five year period and the units granted in 2007, 2008, 2009 and 2010 vest over a three year period. For grants prior to 2011, the restricted share units vesting is typically subject to entity performance criteria, including maintenance of the annual fund distribution target. For restricted share units granted on or after January 1, 2011, restricted share units shall be earned over a three year period with vesting at the third anniversary of the grant. The number of shares earned can range from 0 to 200% of the grant amount based on entity performance criteria, specifically Total Shareholder Return ("TSR") ranking versus a specified peer group of companies. In May 2012, the Restricted Share Unit Plan was amended to award participants with additional RSUs upon each dividend payment made by the Corporation.

	January 1, 2012 to December 31, 2012		January 1, 2011 to December 31, 2011	
	Number of RSU's	**Weighted Average Share Price**	Number of RSU's	Weighted Average Share Price
Restricted shares, beginning of year	**314**	**$ 10.41**	670	$ 9.86
Granted	**167**	**13.80**	140	12.25
Issued on vesting	**(111)**	**10.79**	(390)	9.11
Forfeited	**(34)**	**12.99**	(106)	9.35
Restricted shares, end of year	**336**	**$ 13.14**	314	$ 10.41

The total compensation cost that has been included in marketing, general and administrative expenses for the year ended December 31, 2012 amounted to $1,286 (December 31, 2011 - $1,411).

(d) Deferred Share Unit Plan

Parkland established the deferred share units ("DSUs") plan for non-executive members of the Board of Directors as a long-term incentive plan. Under this plan, each director is entitled to receive DSUs as a result of a grant and/or in lieu of directors' fees. Furthermore, directors receive additional DSUs upon each dividend payment made by the Corporation. The fair value of the DSUs on the grant day is based on the weighted average trading price of the shares on the Toronto stock exchange for the five trading days immediately preceding the date of the grant. DSUs vest immediately on the day of the grant and they are redeemed for cash when the director ceases to be a member of the Board of Directors. Compensation expense is recognized in the marketing, general and administrative expense immediately upon the vesting of DSUs.

The Corporation has recorded a liability of $1,207 at December 31, 2012 (December 31, 2011 - $552) in the Consolidated Balance Sheets for DSUs based on the market value of Parkland's common shares as December 31, 2012. The total compensation costs that have been included marketing, general and administrative expenses for the year ended December 31, 2012 amounted to $655 (December 31, 2011 - $552).

	January 1, 2012 December 31,	January 1, 2011 to December 31,
	Number of DSU's	Number of DSU's
Deferred Share Units, beginning of year	**46**	-
Granted	**40**	44
Dividends equivalent	**6**	2
Redeemed	**(5)**	-
Deferred Share Units, end of year	**87**	46

21. FINANCE COSTS

	Year ended December 31,	
	2012	2011
Accretion on refinery remediation	**484**	3,268
Accretion on asset retirement obligation	**227**	6,567
Interest on long-term debt	**7,943**	15,550
Interest and accretion on convertible debentures	**11,100**	11,327
Loss on interest rate swap	**485**	-
Total finance costs	**20,239**	36,712

22. CAPITAL MANAGEMENT

Parkland's capital structure is comprised of long-term debt including current portion, other long-term liabilities including current portion, convertible debentures and shareholders' equity, less cash and cash equivalents and restricted cash. Parkland's objectives when managing its capital structure are to:

I. maintain financial flexibility so as to preserve the Corporation's access to capital markets and its ability to meet its financial obligations; and
II. finance internally generated growth as well as potential acquisitions.

Parkland monitors its capital structure and financing requirements using non-GAAP financial metrics consisting of Net Debt to Capitalization and Net Debt to earnings before interest, taxes, depreciation and amortization ("EBITDA"). The metrics are used to monitor and guide the Corporation's overall debt position as a measure of Parkland's overall financial strength and flexibility of capital structure.

Parkland currently targets a Net Debt to Capitalization ratio of below 50% on a long-term basis. This target may be exceeded if strategic acquisitions are available. At December 31, 2012, the Net Debt to Capitalization ratio was 44% (December 31, 2011 - 54%), calculated as follows:

	December 31, 2012	December 31, 2011
Long-term debt (including current portion), long-term liabilities (including current portion) and convertible debentures	291,603	369,113
Cash and cash equivalents	(14,676)	(24,905)
Restricted cash	-	(3,000)
Net Debt	276,927	341,208
Shareholders' equity	352,733	286,194
Capitalization	629,660	627,402
Net Debt to Capitalization	44%	54%

Parkland currently targets a Net Debt to EBITDA ratio of less than 3.0 times (4.0 times - December 31, 2011). This target may be exceeded if strategic acquisitions are available. EBITDA from acquisitions is not included for periods prior to acquisition in the following trailing twelve-month EBITDA calculation. At December 31, 2012 the debt to EBITDA ratio was 1.39 times (December 31, 2011 – 2.26 times) calculated on a trailing twelve-month basis as follows:

	December 31, 2012	December 31, 2011
Net Debt	**276,927**	341,208
Net earnings	**84,854**	43,915
Add		
Finance costs	**20,239**	36,712
Gain on disposal of property, plant and equipment	**282**	(15,938)
Depreciation and amortization	**54,689**	68,444
Income tax expense	**38,917**	17,699
EBITDA	**198,981**	150,832
Net Debt to EBITDA	**1.39**	2.26

The Corporation manages its capital structure and makes adjustments according to market conditions to maintain flexibility while achieving objectives stated above. To manage the capital structure, Parkland may adjust capital spending, adjust dividends paid to shareholders, issue new equity, issue new debt or repay existing debt.

23. ACQUISITIONS

(a) Magnum Oil (MB) Ltd.

On November 1, 2012, Parkland acquired assets of Magnum Oil (MB) Ltd. ("Magnum Oil"), a company specializing in distribution of lubricants in Manitoba for cash considerations of $9,498. The acquisition of Magnum Oil advanced the Corporation's strategy of continued growth of market share of the distribution of lubricants in Canada. The transaction was an asset purchase and accounted for using the acqusition method.

The fair value of net assets acquired from Magnum Oil is as follows:

	December 31, 2012
Estimated fair value of net assets acquired:	
Intangible asset - customer relationships	4,795
Intangible asset - non-compete agreement	526
Intangible asset - trade names	185
Goodwill	1,254
Property, plant and equipment	642
Working capital	2,096
	9,498
Consideration:	
Cash paid to vendor	9,498
Cash consideration	9,498

The goodwill of $1,254 which arose from the acquisition was attributable to the synergies from combining operations of various lube distribution locations, increased market presence and resource optimization for Parkland. The total amount of goodwill recognized is expected to be deductible for income tax purposes. No liabilities were assumed as a result of this acquisition.

Trade and other receivables acquired in the transaction have a fair value of $986 that equal their gross contractual value and expected cash flow at the acquistion date.

Trade and other payables acquired in the transaction have a fair value of $874 that equal their gross contractual value and expected cash outflow at the acquisition date.

Since the date of acquisition, revenue of $2,475 and net earnings of $84 are included in the December 31, 2012 consolidated statement of comprehensive income. Had Parkland acquired and consolidated Magnum Oil on January 1, 2012, the December 31, 2012 consolidated statement of comprehensive income would include additional revenue of $15,750 and net earnings of $807. This pro-forma financial information is not necessarily indicative of the financial position or results of operations that would have resulted had the relevant transaction taken place at the beginning of the year.

(b) Cango Incorporated

On June 22, 2011, Parkland acquired 100% of shares in Cango Inc., a company involved in the wholesale and retail sale of automotive fuels and other products in Ontario for cash consideration of $20,000. The acquisition of Cango Inc. advances Parkland's strategy of continued growth of market share in Canada and results in expansion in the Ontario market.

The fair value of net assets acquired from Cango Inc. is as follows:

	December 31, 2011
Estimated fair value of net assets acquired:	
Intangible asset - customer relationships	25,863
Cash and cash equivalent	2,213
Restricted cash	3,000
Property, plant and equipment	10,942
Loan receivables	184
Deferred tax liability	(5,145)
Working capital	(9,080)
Asset retirement obligations assumed	(6,452)
Other liabilities assumed	(1,525)
	20,000
Consideration:	
Cash paid to vendor	20,000
Cash consideration	20,000
Cash and cash equivalents acquired	(2,213)
Restricted cash	(3,000)
	14,787

Trade receivables acquired in the transaction have a fair value of $2,351 that equals their gross contractual value and expected cash flows at the acquistion date.

Since the date of acquisition, revenue of $180,106 and net earnings of $285 are included in the December 31, 2011 consolidated statement of comprehensive income. Had Parkland acquired and consolidated Cango Inc. on January 1, 2011, the December 31, 2011 consolidated statement of comprehensive income would include additional revenue of $187,018 and net earnings of $802. This pro-forma financial information is not necessarily indicative of the financial position or results of operations that would have resulted had the relevant transaction taken place at the beginning of the year.

(c) Island Petroleum Limited

On December 30, 2010, Parkland acquired assets of Island Petroleum ("Island Petroleum"), a company specializing in distribution of heating oil based in Prince Edward Island for $24,040. The purchase price included $12,173 paid in cash consideration in January 2011 and the December 2010 issuance of 1,036 fund units valued at $11,867. The acquisition of Island Petroleum advanced the Corporation's strategy of continued growth of market share of the distribution of heating oil in Canada. The transaction was an asset purchase and accounted for using the acqusition method.

The fair value of net assets acquired from Island Petroleum is as follows:

	December 31, 2011
Estimated fair value of net assets acquired:	
Intangible asset - customer relationships	12,139
Intangible asset - non-compete agreement	537
Goodwill	2,293
Property, plant and equipment	4,303
Other long-term receivables	358
Working capital	4,410
	24,040
Consideration:	
Cash paid to vendor	12,173
Fund units/shares	11,867
	24,040
Non cash consideration:	
Fund units/shares	(11,867)
	12,173

The goodwill of $2,293 which arose from the acquisition was attributable to the synergies from combining operations of heating oil and fuel distribution, increased market presence, combining offices and resource optimization for Parkland. The total amount of goodwill recognized is expected to be deductible for income tax purposes. No liabilities were assumed as a result of this acquisition.

The fair value of the 1,036 fund units issued as part of the consideration paid for Island Petroleum was based on the published unit price on December 30, 2010 of $11.45 per unit.

Trade and other receivables acquired in the transaction have a fair value of $5,441, with gross contractual amounts receivable of $6,365. The best estimate at the acquistion date of the contractual cash flows for which collection is uncertain is $924.

No revenue was included in the December 31, 2010 consolidated statement of comprehensive income. Had Parkland acquired and consolidated Island Petroleum from January 1, 2010, the December 31, 2010 consolidated statement of comprehensive income would include additional revenue of $50,300 and net earnings of $3,700. These pro-forma financial information are not necessarily indicative of the financial position or results of operations that would have resulted had the relevant transaction taken place at the beginning of the year.

24. COMMITMENTS

The Corporation has purchase commitments under its fuel supply contracts that require the purchase of approximately 1 billion litres of fuel products to the end of 2013.

25. NET CHANGES IN NON-CASH WORKING CAPITAL

	Year ended December 31,	
	2012	2011
Accounts receivable	**4,452**	(42,396)
Income tax receivable	**-**	788
Inventories	**10,148**	(21,501)
Prepaid expenses and other	**(796)**	3,080
Accounts payable and accrued liabilities	**(20,791)**	26,065
Income taxes payable	**3,008**	17,026
Deferred revenue	**2,069**	(653)
Total for operating activities	**(1,910)**	(17,591)

26. SEGMENTED INFORMATION

Parkland's retail operations have been predominantly in fuel marketing and convenience store sales. Parkland's Commercial segment includes sales of propane, fertilizer, lubricants, home heating oil, other agricultural inputs and industrial products and services.

Fuel Marketing includes sales of gasoline, diesel, home heating oil, propane fuel and variable rents derived from service station sites.

Due to the amount of common operating and property costs, it is not practical to report these segments below their respective gross profits. The segregation of capital expenditures and total assets is not practical as the reportable segments represent product sales that are generated from common locations.

Year ended December 31,	Fuel Marketing	Non-Fuel Commercial	Other Non-Fuel	Total
2012				
Sales and operating revenue	**3,852,245**	**243,682**	**37,709**	**4,133,636**
Cost of sales	**3,497,314**	**177,443**	**21,837**	**3,696,594**
Gross profit	**354,931**	**66,239**	**15,872**	**437,042**
2011				
Sales and operating revenue	3,668,093	249,074	63,310	3,980,477
Cost of sales	3,360,322	174,444	37,265	3,572,031
Gross profit	307,771	74,630	26,045	408,446

27. RELATED PARTY TRANSACTIONS

Parkland receives legal services from Bennett Jones LLP where a director of the Corporation is a partner. The fees paid during the year ended December 31, 2012 amounted to $841 (December 31, 2011 - $1,828) including $293 (December 31, 2011 - $68) in amounts payable at December 31, 2012.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The exchange amounts represent normal commercial terms.

28. EXPENSE BY NATURE

Employee costs included in the consolidated statement of comprehensive income are shown below:

	Year ended December 31,	
	2012	2011
Cost of sales	**-**	6,001
Operating costs	**54,626**	37,438
Marketing, general and administrative	**49,226**	51,461
	103,852	94,900

29. KEY MANAGEMENT COMPENSATION

The remuneration of key management personnel of the Corporation, which includes both members of the Board of Directors and leadership team including the CEO, CFO and vice presidents, is set out below in aggregate:

	Year ended December 31,	
	2012	2011
Salaries and short-term employee benefits	**4,246**	4,011
Termination benefits	**-**	3,508
Share-based payments	**1,704**	1,625
	5,950	9,144

The liability balance for annual incentive plan, termination benefits and share-based compensation to key management personnel was $2,324 as December 31, 2012 (December 31, 2011 - $1,987).

30. CONTINGENCIES

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

31. SUBSEQUENT EVENTS

On February 15, 2013 Parkland completed an acquisition of the assets and liabilities of Elbow River Marketing Limited Partnership ("Elbow River") for total cash consideration of approximately $80,000 and the assumption of approximately $15,000 in debt. The Corporation is assessing the purchase price allocation. Elbow River is based in Calgary, Alberta and transports, supplies and markets petroleum products including liquefied petroleum gases, crude oil, heavy fuel oil and a growing portfolio of refined fuel and bio-fuel products. Elbow River manages a fleet of approximately 1,200 rail cars. Elbow River enhances Parkland's supply capabilities, allowing Parkland to further take advantage of North American supply and demand imbalances. This acquisition is expected to extend the Corporation's relationship with refiners, fuel supply and fuel customers.

32. COMPARATIVE FIGURES

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

Supplementary Information (unaudited)

	Three months ended December 31,		Year ended December 31,	
	2012	2011	**2012**	2011
Volume ***(millions of litres)***				
Retail fuels	**443**	464	**1,807**	1,687
Commercial fuels	**382**	476	**1,502**	1,784
Supply & Wholesale	**309**	273	**1,293**	959
Intersegment sales	**(72)**	(117)	**(361)**	(269)
Total fuel volume	**1,062**	1,096	**4,241**	4,161
Net sales and operating revenue ***(millions of Canadian dollars)***				
Retail fuels	**395.6**	400.2	**1,681.6**	1,564.3
Commercial fuels	**337.1**	444.0	**1,369.6**	1,625.3
Supply & Wholesale	**259.0**	191.9	**1,115.6**	718.4
Intersegment	**(60.0)**	(103.1)	**(314.6)**	(239.8)
Fuel sales	**931.7**	933.0	**3,852.2**	3,668.2
Non-fuel commercial revenue	**57.3**	72.1	**243.7**	249.0
Other non-fuel revenue	**9.4**	9.2	**38.8**	63.3
Intersegment	**(0.1)**	-	**(1.1)**	-
Total other non-fuel revenue (1)	**9.3**	9.2	**37.7**	63.3
Total sales and operating revenue	**998.3**	1,014.3	**4,133.6**	3,980.5
Fuel gross profit ***(millions of Canadian dollars)***				
Retail fuels	**23.7**	23.4	**88.7**	85.7
Commercial fuels	**39.9**	41.0	**146.9**	151.9
Supply & Wholesale (2)	**19.6**	10.4	**119.4**	70.2
Fuel gross profit	**83.2**	74.8	**355.0**	307.8
Cents per litre	**7.83**	6.82	**8.37**	7.40
Fuel gross profit	**83.2**	74.8	**355.0**	307.8
Non-fuel commercial gross profit	**17.1**	23.5	**66.2**	74.6
Other non-fuel gross profit (1)	**3.7**	4.8	**15.8**	26.0
Gross profit	**104.0**	103.1	**437.0**	408.4

(1) This category includes convenience store sales, variable rents, trucking and delivery charges to customers, lottery, and other.

(2) Included in this category is Parkland's share of refinery margin and profits from wholesale sales.