Parkland Fuel Corporation

Consolidated Financial Statements

For the year ended December 31, 2016

Parkland

FUEL CORPORATION

Management's responsibility for the consolidated financial statements

The consolidated financial statements and the notes to the consolidated financial statements are the responsibility of the management of Parkland Fuel Corporation. They have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, which have been adopted in Canada. Financial information that is presented in the Management's 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 are 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 by 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"

Robert B. Espey
President and Chief Executive Officer

(signed) "Michael S.H. McMillan"

Michael S.H. McMillan
Chief Financial Officer

March 2, 2017

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 sheets as at December 31, 2016 and December 31, 2015 and the consolidated statements of income, comprehensive income, changes in shareholders' 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 judgement, 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, 2016 and December 31, 2015 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

(signed) "PricewaterhouseCoopers LLP"

PricewaterhouseCoopers LLP
Chartered Professional Accountants
Calgary, Alberta, Canada

March 2, 2017

Parkland Fuel Corporation
Consolidated Balance Sheets

($ millions)	**December 31, 2016**	December 31, 2015[i]
Assets		
Current assets		
Cash and cash equivalents	**25.6**	36.7
Restricted cash	**-**	0.3
Cash held in escrow (Notes 12 and 18)	**535.8**	-
Accounts receivable (Note 5)	**398.7**	314.3
Inventories (Note 6)	**164.7**	117.4
Income taxes receivable	**14.0**	4.8
Risk management (Note 13)	**0.8**	4.8
Prepaid expenses and other	**17.6**	36.0
	1,157.2	514.3
Property, plant and equipment (Note 7)	**554.0**	499.9
Intangible assets (Note 8)	**203.6**	192.6
Goodwill (Note 9)	**560.4**	540.5
Long-term receivables (Note 10)	**32.9**	22.9
Other long-term assets (Note 11)	**11.9**	13.3
Deferred tax assets (Note 20)	**41.5**	35.2
	2,561.5	1,818.7
Liabilities		
Current liabilities		
Bank indebtedness	**-**	15.3
Accounts payable and accrued liabilities	**496.1**	349.2
Dividends declared and payable	**9.2**	8.5
Deferred revenue	**17.2**	11.7
Long-term debt – current portion (Note 12)	**298.5**	4.4
Asset retirement obligations – current portion (Note 17)	**10.3**	20.8
Risk management (Note 13)	**8.4**	3.6
Other liabilities – current portion (Note 18)	**226.4**	1.0
	1,066.1	414.5
Long-term debt (Note 12)	**538.0**	441.0
Asset retirement obligations (Note 17)	**121.4**	108.4
Other liabilities	**8.6**	8.2
Deferred tax liabilities (Note 20)	**23.5**	34.0
	1,757.6	1,006.1
Shareholders' equity		
Shareholders' capital (Note 18)	**910.2**	857.5
Contributed surplus	**22.1**	19.0
Accumulated other comprehensive income	**15.1**	17.7
Deficit	**(143.5)**	(81.6)
	803.9	812.6
	2,561.5	1,818.7

[i] Certain comparative figures have been revised. See Note 19 – Business Combinations.
See accompanying notes to the consolidated financial statements.

Approved on behalf of the Board of Directors:

(signed) "James Pantelidis"
James Pantelidis
Chairman of the Board

(signed) "Deborah Stein"
Deborah Stein
Chairman of the Audit Committee

March 2, 2017

Parkland Fuel Corporation

Consolidated Statements of Income

For the years ended ($ millions, unless otherwise stated)	**December 31, 2016**	December 31, 2015
Sales and operating revenue	**6,266.0**	6,299.6
Cost of goods sold, excluding depreciation (Note 6)	**5,549.3**	5,673.0
Customer finance income	**(1.5)**	(2.4)
Operating costs (Note 21)	**309.9**	281.2
Marketing, general and administrative (Note 19 and 21)	**178.2**	161.5
Depreciation and amortization	**102.9**	92.9
Finance costs (Note 14)	**40.2**	34.9
Foreign exchange loss (gain) (Note 13)	**1.9**	(4.2)
Loss on disposal of property, plant and equipment	**1.0**	1.3
Loss on risk management activities (Note 13)	**17.1**	1.6
Earnings before income taxes	**67.0**	59.8
Income tax expense (recovery) (Note 20)		
Current	**36.2**	27.5
Deferred	**(16.4)**	(7.2)
Net earnings	**47.2**	39.5
Net earnings per share ($ per share) (Note 4)		
- Basic	**0.50**	0.45
- Diluted	**0.49**	0.45
Weighted average number of common shares (000's of shares) (Note 4)	**95,274**	87,107

See accompanying notes to the consolidated financial statements.

Parkland Fuel Corporation

Consolidated Statements of Comprehensive Income

For the years ended ($ millions)	**December 31, 2016**	December 31, 2015
Net earnings	**47.2**	39.5
Other comprehensive income (loss):		
Items that may be reclassified to consolidated statements of income in subsequent periods:		
Exchange differences on translation of foreign operations	**(3.8)**	20.7
Net gain (loss) on hedge of net investment in foreign operations, net of tax expense of $0.2 (2015 – tax benefit of $0.8)	**1.2**	(5.1)
Other comprehensive income (loss), net of tax	**(2.6)**	15.6
Total comprehensive income, net of tax	**44.6**	55.1

See accompanying notes to the consolidated financial statements.

Parkland Fuel Corporation

Consolidated Statements of Changes in Shareholders' Equity

($ millions)	Shareholders' capital	Contributed surplus	Accumulated other comprehensive income	Deficit	Total shareholders' equity
As at January 1, 2016	**857.5**	**19.0**	**17.7**	**(81.6)**	**812.6**
Net earnings	**-**	**-**	**-**	**47.2**	**47.2**
Other comprehensive loss, net of tax	**-**	**-**	**(2.6)**	**-**	**(2.6)**
Issued on business acquisitions (Note 19)	**0.6**	**-**	**-**	**-**	**0.6**
Share issuance costs	**(0.1)**	**-**	**-**	**-**	**(0.1)**
Dividends	**-**	**-**	**-**	**(109.1)**	**(109.1)**
Share incentive compensation (Note 18)	**-**	**9.5**	**-**	**-**	**9.5**
Issued under dividend reinvestment plan, net of costs	**44.4**	**-**	**-**	**-**	**44.4**
Issued under share option plan	**5.1**	**(0.4)**	**-**	**-**	**4.7**
Issued on vesting of restricted share units	**2.7**	**(6.0)**	**-**	**-**	**(3.3)**
As at December 31, 2016	**910.2**	**22.1**	**15.1**	**(143.5)**	**803.9**
As at January 1, 2015	584.9	6.3	2.1	(23.5)	569.8
Net earnings	-	-	-	39.5	39.5
Other comprehensive income, net of tax	-	-	15.6	-	15.6
Issued on business acquisitions (Note 19)	150.1	-	-	-	150.1
Share issuance costs	(0.2)	-	-	-	(0.2)
Dividends	-	-	-	(97.6)	(97.6)
Share incentive compensation (Note 18)	-	21.6	-	-	21.6
Issued under dividend reinvestment plan, net of costs	69.3	-	-	-	69.3
Issued under share option plan	6.2	(0.5)	-	-	5.7
Issued on vesting of restricted share units	4.9	(8.4)	-	-	(3.5)
Issued upon conversion of convertible debentures	42.3	-	-	-	42.3
As at December 31, 2015	857.5	19.0	17.7	(81.6)	812.6

See accompanying notes to the consolidated financial statements.

Parkland Fuel Corporation

Consolidated Statements of Cash Flows

For the years ended ($ millions)	**December 31, 2016**	December 31, 2015
Operating activities		
Net earnings	**47.2**	39.5
Adjustments for:		
Depreciation and amortization	**102.9**	92.9
Loss on disposal of property, plant and equipment	**1.0**	1.3
Share incentive compensation	**11.5**	12.7
Accretion on asset retirement obligations	**3.7**	3.3
Change in risk management activities	**8.8**	(1.5)
Change in other liabilities	**(2.7)**	(0.9)
Accretion on convertible debentures	**-**	0.4
Amortization of deferred financing costs and debt premium	**0.7**	0.8
Change in fair value of Redemption Options	**3.6**	2.2
Deferred taxes	**(16.4)**	(7.2)
Cash expenditures on asset retirement obligations	**(3.8)**	(3.1)
Net change in non-cash working capital (Note 16)	**8.8**	83.0
Cash generated from operating activities	**165.3**	223.4
Financing activities		
Long-term debt repayments	**(56.4)**	(1.5)
Proceeds from long-term debt, net of financing costs	**144.4**	1.3
Convertible debenture repayments	**-**	(1.8)
Dividends paid to shareholders, net of dividend reinvestment plan	**(63.8)**	(27.2)
Shares issued for cash	**4.7**	5.7
Share issuance costs	**(0.1)**	(0.2)
Cash generated from (used in) financing activities	**28.8**	(23.7)
Investing activities		
Acquisition of multiple businesses, net of cash assumed (Note 19)	**(88.9)**	(15.1)
Acquisition of Pioneer Energy (Note 19)	**-**	(247.5)
Acquisition of North Dakota service stations, net of cash assumed	**-**	(17.6)
Acquisition of Chevron-branded service stations	**-**	(18.3)
Change in long-term receivables	**(4.5)**	(8.9)
Additions to cash held in escrow	**(9.3)**	-
Additions to property, plant and equipment and intangible assets	**(94.7)**	(73.0)
Proceeds on sale of property, plant and equipment and intangible assets	**6.3**	2.7
Cash used in investing activities	**(191.1)**	(377.7)
Increase (decrease) in net cash	**3.0**	(178.0)
Net foreign exchange difference	**0.9**	0.6
Net cash at beginning of year	**21.7**	199.1
Net cash at end of year	**25.6**	21.7
Represented by:		
Cash and cash equivalents	**25.6**	36.7
Restricted cash	**-**	0.3
Bank indebtedness	**-**	(15.3)
Net cash	**25.6**	21.7
Supplementary cash flow information:		
Interest paid	**26.9**	27.5
Interest received	**1.5**	2.4
Income taxes paid	**44.3**	30.4

See accompanying notes to the consolidated financial statements.

1. CORPORATE INFORMATION

Parkland Fuel Corporation ("Parkland") is an independent marketer and distributor of fuel and petroleum products. Parkland delivers refined fuels, propane and other high quality petroleum products to motorists, businesses, consumers and wholesale customers in Canada and the United States. The consolidated financial statements include the accounts of Parkland and its wholly-owned subsidiaries.

Parkland was incorporated under the laws of the Province of Alberta on March 9, 2010, and its registered office is located at Suite 100, 4919 59th Street, Red Deer, Alberta, Canada, T4N 6C9.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Parkland's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These consolidated financial statements have been approved for issue by the Board of Directors on March 2, 2017.

(a) Basis of measurement

Parkland's consolidated financial statements have been prepared on a historical cost basis except for certain items recorded at fair value as detailed in the accounting policies disclosed below.

(b) Presentation and functional currency

The consolidated financial statements are presented in Canadian dollars, which is Parkland's functional currency.

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Parkland and the entities it controls. Control is achieved when Parkland is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. All intercompany transactions, balances, and unrealized gains and losses are eliminated upon consolidation. Subsidiaries are consolidated from the date control is obtained by Parkland and deconsolidated from the date control ceases.

(d) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. Goodwill is measured at cost, being the difference between the fair value of consideration transferred over the net fair value amount of the identifiable assets acquired and liabilities assumed, all measured as at the acquisition date. Consideration transferred includes the fair value of assets transferred (including cash and contingent consideration, if any), liabilities incurred by Parkland on behalf of the acquiree, and equity interests issued by Parkland. Goodwill is allocated to the cash-generating units ("CGUs") or groups of CGUs expected to benefit from the business combination.

Acquisition-related costs are expensed as incurred and included in marketing, general and administrative expenses.

(e) Foreign currency translation

The functional currency for each of Parkland's individual entities is the currency of the primary economic environment in which the entity operates. Transactions in foreign currencies are translated to the respective functional currencies at the exchange rates applicable on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to the appropriate functional currencies at the exchange rate at the balance sheet date. Foreign exchange gains and losses are recorded in the consolidated statements of income. Non-monetary assets that are measured in a foreign currency at historical cost are translated using the exchange rate at the date of the transaction.

On consolidation, the financial statements of foreign operations are translated into Canadian dollars. The assets and liabilities of foreign operations are translated into Canadian dollars at the exchange rate prevailing at the consolidated balance sheet date. Revenue and expenses of foreign operations are translated into Canadian dollars at the exchange rates that approximate those on the dates of the transactions. Foreign exchange differences arising on translation for consolidation are recognized in other comprehensive income (loss).

(f) Operating segments

An operating segment is a component of Parkland for which discrete financial information is available, whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of Parkland's other operations.

(g) Cash, cash equivalents, restricted cash and cash held in escrow

Cash and cash equivalents consist primarily of cash on hand, deposits held with banks and other highly liquid investments. Restricted cash is cash that has been pledged as collateral or guarantees for certain Parkland projects, obligations, and agreements. Cash held in escrow is cash that is held by independent escrow agents for purposes of funding future acquisitions but restricted by certain release conditions.

For the purpose of the consolidated statements of cash flows, net cash consists of cash and cash equivalents, restricted cash and bank indebtedness, as they are considered an integral part of Parkland's cash management.

(h) Inventories

Inventories are valued at the lower of cost and net realizable value on a weighted average cost basis or first-in, first-out basis. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale. Vendor rebates are received for high volume inventory purchases and are recorded as a reduction to inventory.

(i) Property, plant and equipment

Property, plant and equipment are stated at historical cost, net of accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditures directly attributable to the acquisition of the asset. The costs of major refurbishments, overhauls or replacements are capitalized when it is probable the future economic benefits will be realized by Parkland and the associated carrying amount of the replaced component is derecognized. All other repair and maintenance costs are recognized in the consolidated statements of income as incurred.

Leases that transfer substantially all the benefits and risks of ownership to Parkland are recorded as finance lease assets within property, plant and equipment. Land is measured at cost, less any accumulated impairment.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Land	Not depreciated
Land improvements	25 years
Buildings	20 years
Plant and equipment	5 to 30 years

Assets under finance lease, leasehold improvements and immovable assets located on leased property (including land improvements, buildings, and equipment at retail gas stations) are amortized on a straight-line basis over the shorter of the estimated useful life or lease term.

Any gain or loss arising on derecognition of an asset is included in the consolidated statements of income as a gain or loss on disposal of property, plant and equipment when the asset is derecognized.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, as appropriate.

(j) Leases

Leases are classified as either operating or finance based on the substance of the arrangement at the inception of the lease.

Parkland as a lessee

A lease that transfers substantially all the risks and rewards incidental to ownership to Parkland is classified as a finance lease. Finance leases are capitalized at lease commencement at the lower of the asset fair value and the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the consolidated statements of income. Finance lease obligations are included in long-term liabilities.

Operating leases are leases other than a finance lease. Operating lease payments are recognized as an operating expense in the consolidated statements of income on a straight-line basis over the lease term.

Parkland as a lessor

Leases in which Parkland does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases.

(k) Intangible assets

Intangible assets are carried at historical cost, net of accumulated depreciation and accumulated impairment losses. Historical cost includes expenditures directly attributable to the acquisition of items. The cost of an intangible asset acquired in a business combination is its fair value at the acquisition date.

Intangible assets with finite lives are amortized over their respective useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization expense on intangible assets is recognized in the consolidated statements of income in depreciation and amortization. Amortization of intangible assets is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Customer relationships	3 to 13 years
Trade names	5 to 16 years
Non-compete and other agreements	2 to 15 years
Lease benefit	3 to 14 years
Software systems	10 years

The estimated useful lives and amortization methods are reviewed annually and adjusted prospectively as appropriate. Any gain or loss arising on derecognition of an intangible asset is recognized in the consolidated statements of income when the asset is derecognized.

(l) Impairment of non-financial assets

Parkland assesses at each reporting date whether there is an indication that an asset may be impaired. Goodwill and indefinite life intangible assets are tested for impairment annually. If any indication exists, Parkland estimates the asset's recoverable amount. An asset's recoverable amount is the higher of the fair value less costs of disposal and its value in use. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. Value in use is assessed using the present value of the expected future cash flows of the relevant asset.

The recoverable amount is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses, if any, are recognized in the consolidated statements of income.

Non-financial assets, excluding goodwill, are assessed at each reporting date to determine whether there is a possible reversal of previously recognized impairment losses.

Goodwill is tested for impairment annually as at December 31 and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each group of CGUs to which goodwill relates. The groups of CGUs represent the lowest level within Parkland at which goodwill is monitored for internal management purposes and are not larger than an operating segment. When the recoverable amount of a group of CGUs is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill are not reversed in future periods.

(m) Deferred revenue

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

(n) Provisions

Provisions are recognized when Parkland 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, and a reliable estimate can be made of the amount of the obligation.

Asset retirement obligation ("ARO") provisions are recognized for decommissioning, restoration and remediation obligations associated with sites and locations on which Parkland operates, and include known legal, contractual and constructive obligations related to required environmental restoration or remediation of a site and the removal of Parkland's structures, equipment and storage tanks at leased or owned properties. Parkland assumes that all leased and owned sites will be remediated and decommissioned when a site is vacated, a site lease has expired, or a site has reached the end of its useful life, in absence of an indemnity or contractual agreement. ARO provisions are measured at the present value of management's best estimate of the future cash flows required to settle the obligation using a credit-adjusted risk-free interest rate. The value of the obligation is added to the carrying amount of the associated asset in property, plant and equipment, and depreciated over the useful life of the asset. The provision is accreted over time through finance costs and actual expenditures are charged against the accumulated obligation. Changes in estimated obligations resulting from revisions to estimated future cash flows or timing are recognized as a change in the ARO provision and the related asset.

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.

(o) Income taxes

Tax expenses for the year comprise current and deferred income tax expenses. Income tax expenses are recognized in the consolidated statements of income, except to the extent that they relate to items recognized in other comprehensive income (loss) or directly in equity.

Current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the consolidated balance sheet date in the countries where Parkland and its subsidiaries operate and generate taxable income. Provisions are established, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not recognized if it arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction other than a business combination that affects neither accounting nor taxable income at the time of the transaction. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the consolidated balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liabilities where the timing of the reversal of the temporary differences is controlled by Parkland and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary differences will reverse in the future and there is sufficient taxable profit available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(p) Share-based payments

Parkland's share-based payments consist of share options, restricted share units ("RSUs") and deferred share units ("DSUs"). The costs of these share-based payments are included in marketing, general and administrative expenses.

Share options

Parkland has equity-settled share option plans for certain directors, officers and employees. Parkland may issue share option grant rights to acquire up to 10% of the issued and outstanding common shares. The fair value of options at the date of grant is calculated using the Black-Scholes option pricing model and is recognized as an expense over the vesting period of the options, with a corresponding increase to contributed surplus. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service, market and non-market performance conditions are expected to be met.

When options are exercised, the proceeds, together with the amount recorded in contributed surplus, are transferred to shareholders' capital. Forfeitures are estimated and accounted for at the grant date and adjusted, if necessary, in subsequent periods.

Restricted share units

Parkland has equity-settled RSU plans for certain directors, officers and employees. The units are awarded under both plans at no cost to the recipient and the fair market value determined at the grant date is 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 ("TSE") for the five trading days immediately preceding the grant date. Additional RSUs are granted upon each dividend payment made by Parkland.

RSU expense is recognized over the vesting period with a related credit to contributed surplus. Parkland recognizes the expense based on the best available estimate of the number of RSUs expected to vest, and revises the estimate if necessary. Upon redemption of RSUs, the contributed surplus balance is reduced through a credit to shareholders' capital.

Deferred share units
Parkland has a cash-settled DSU plan for non-executive members of the Board of Directors. The liability is measured based on the trading price of Parkland's shares on the TSE, and changes in the fair value of the outstanding DSU liability, including deemed dividend equivalents, are included in marketing, general and administrative expenses. The liability is measured at each reporting date and at the settlement date. DSUs vest immediately on the grant date and are redeemed for cash when the director ceases to be a member of the Board of Directors.

(q) Risk management assets and liabilities
Risk management assets and liabilities include outstanding commodities swaps and forward contracts, futures contracts and US dollar forward exchange contracts. Parkland periodically enters into derivative contracts that are believed to be economically effective at managing exposure to movements in commodity prices and US dollar exchange rates.

(r) Financial instruments
All financial assets and financial liabilities, including derivatives, are recognized on the consolidated balance sheets when Parkland becomes a party to the contractual provisions of a financial instrument or non-financial derivative contract. All financial instruments are initially recognized at fair value. Subsequent measurements of financial instruments are based on their classification.

Parkland classifies its financial instruments into one of the following categories:

Classification	Financial instrument
Financial instruments at fair value through profit or loss	• Risk management assets • Redemption Options • Risk management liabilities
Loans and receivables	• Cash and cash equivalents • Restricted cash • Cash held in escrow • Accounts receivable • Long-term receivables, including dealer loans and forgivable loans to dealers and customers
Held-to-maturity investments	• None
Available-for-sale financial assets	• None
Financial liabilities measured at amortized cost	• Bank indebtedness • Accounts payable and accrued liabilities • Dividends declared and payable • Subscription receipts • Long-term debt, excluding portion of long-term debt designated as net investment hedge • Other liabilities, excluding DSU liability
Derivatives designated as hedging instruments in an effective hedge	• Portion of long-term debt designated as net investment hedge

Financial instruments at fair value through profit or loss
Financial instruments at fair value through profit or loss are initially recognized at fair value on the trade date (the date that Parkland commits to purchase or sell the asset), with changes in fair value recognized in gain or loss on risk management activities or finance costs on the consolidated statements of income in the period they arise.

Embedded derivatives in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the host contracts are not designated at fair value through profit or loss. Reassessment occurs only if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or there is a reclassification of the financial asset out of the fair value through profit or loss category. Parkland's Senior Unsecured Notes contain Redemption Options (the "Redemption Options") that are accounted for as embedded derivative financial instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at fair value, plus transaction costs, and are subsequently measured at amortized cost using the effective interest method, less a provision for impairment. Accounts receivable are reduced by provisions for estimated bad debts, which are determined by reference to past experience and expectations.

Financial liabilities measured at amortized cost

All financial liabilities measured at amortized cost are initially recognized at fair value, net of transaction costs. After initial recognition, interest-bearing financial liabilities are measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate method. The effective interest rate amortization and gains or losses on derecognition of the financial liabilities are recognized in finance costs on the consolidated statements of income.

Derivatives designated as hedging instruments in an effective hedge

Parkland may use a net investment hedge to mitigate foreign exchange risk. The effective portion of the hedge is recognized in other comprehensive income (loss). The gain or loss relating to the ineffective portion is recognized in the consolidated statements of income. Gains and losses accumulated in equity are included in the consolidated statements of income when control in the foreign operation is lost.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheets if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis to realize the assets and settle the liabilities simultaneously.

Derecognition

A financial asset is derecognized when the rights to receive cash flows from the asset have expired or when Parkland transfers its rights to receive cash flows from the asset and the associated risks and rewards to a third party. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired.

Impairment of financial assets

Parkland assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Financial assets are considered to be impaired when there is objective evidence that the estimated future cash flows of the investment have been affected. If a financial asset carried at amortized cost is impaired, the impairment is recognized in operating costs or finance costs depending on the nature of the financial asset being impaired.

(s) Subscription receipts

Parkland accounts for subscription receipts as a financial liability in other liabilities, including when there may be a requirement for Parkland to deliver cash or another financial asset in the event of the occurrence or non-occurrence of uncertain future events that are beyond the control of both Parkland and the holder of the subscription receipt. Transaction costs are recorded as a deferred financing cost reducing the financial liability. Subscription receipts are accounted for as an equity instrument when Parkland no longer has a contractual obligation to deliver cash or another financial asset to another entity.

(t) Fair value measurement

Parkland's financial assets and liabilities that are measured at fair value through profit or loss are categorized by level according to the significance of the inputs used in making the measurements in a three-level hierarchy. The fair value measurement hierarchy levels are defined as follows:

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

The fair values of Parkland's recurring measurements of the commodities swaps and forward contracts, futures contracts, US dollar forward exchange contracts and Redemption Options were determined based on Level 2 inputs. Parkland used the following techniques to value financial instruments categorized in Level 2:

- The fair values of the outstanding NYMEX New York Harbour or WTI to heating oil, gasoline and refined products put and call option contracts are determined using external counterparty information, which are compared to observable data.
- The fair values of commodities forward contracts, futures contracts and US dollar forward exchange contracts are determined using independent price publications, third-party pricing services, market exchanges and investment dealer quotes.
- The fair values of the Redemption Options are determined using a valuation model based on inputs from observable market data, including independent price publications, third-party pricing services, and market exchanges.

(u) Revenue recognition

Parkland recognizes revenue on its sale of goods and services when significant risks and rewards of ownership of the goods have passed to the purchaser, usually when physical delivery has occurred and collection is reasonably assured. The major categories of revenue include gas and diesel fuel, crude oil, natural gas and liquids, propane and butane, lubricants, agricultural products and convenience store products. Revenue is measured based on the prices specified in sales contracts, 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 loyalty programs within its retail segment where customers accumulate rewards for purchases made that can be used to redeem free products. Revenue is allocated between the loyalty programs and the other components of the sale. The amount allocated to the loyalty programs is deferred and recognized as revenue when Parkland has fulfilled its obligations to provide the free products or when it is no longer probable that the rewards will be redeemed.

(v) Dividends
Dividends declared and payable to Parkland's shareholders are recognized as liabilities on the consolidated balance sheets in the period dividends are approved by Parkland's Board of Directors.

(w) Earnings per share
Basic earnings per share ("Basic EPS") is calculated by dividing net income attributable to the shareholders of Parkland by the weighted average number of common shares outstanding during the period.

Diluted earnings per share ("Diluted EPS") is calculated by adjusting the weighted average number of common shares outstanding for dilutive common shares related to the Parkland's share-based compensation plan. The dilutive effect of share options is determined using the treasury stock method. Net income attributable to the shareholders of Parkland is the same for both the Basic EPS and Diluted EPS calculations.

(x) Significant accounting estimates, assumptions and judgments
The preparation of Parkland's consolidated financial statements requires management to make estimates, assumptions and judgments that affect the reported amounts of revenue, expenses, assets, liabilities, accompanying disclosures and the disclosure of contingent liabilities. These estimates and judgments are subject to change based on experience and new information. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affecting future periods. Estimates and judgments are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

The financial statement areas that require significant estimates and judgments are as follows:

Asset retirement obligations
ARO represents the present value estimates of Parkland's cost to remediate sites. Parkland applies judgment in assessing the existence and extent as well as the expected method of remediation and decommissioning at the end of each reporting period. Parkland also uses judgment to determine whether the nature of the activities performed relate to decommissioning and remediation activities or normal operating activities. In addition, the provisions are based on estimated costs, which take into account the anticipated method and extent of remediation, technological advances, possible future uses of the site, regulatory considerations, environmental considerations and safety considerations. Actual costs are uncertain and estimates can vary as a result of changes to relevant laws and regulations, the emergence of new technology, operating experience, prices and closure plans. The estimated timing of future decommissioning and remediation may change due to factors such as closure plans and regulatory considerations. Changes to estimates relating to future expected costs, discount rates and timing may have a material impact on the amounts presented.

Contingencies and legal matters
Contingencies are subject to measurement uncertainty as the financial impact will only be confirmed by the outcome of a future event. The assessment of contingencies and legal matters involves a significant amount of judgment, including assessment of whether a present obligation exists and determining a reliable estimate of the amount of cash outflow required in settling the obligation. Parkland is required to both determine whether a loss is probable and whether the loss can be reasonably estimated. The uncertainty involved with the timing and amount at which a contingency will be settled may have a material impact on the consolidated financial statements of future periods to the extent that the amount provided for differs from the actual outcome.

Business combinations
Parkland uses judgment in applying the acquisition method of accounting for business combinations and estimates to value identifiable assets and liabilities at the acquisition date. Parkland may engage independent third parties to determine the fair value of property, plant and equipment and intangible assets. Estimates are used to determine cash flow projections, including the period of future benefit, and future growth and discount rates, among other factors. The values placed on the acquired assets and liabilities affect the amount of goodwill recorded on an acquisition.

Determination of CGUs
A CGU is the lowest grouping of integrated assets that generate identifiable cash inflows that are largely independent of the cash inflows of other assets or groups of assets. The allocation of assets to CGUs requires significant judgment and interpretation with respect to the integration between assets, the existence of active markets, similar exposure to market risks, shared resources and assets, and the way in which management monitors the operations.

Indicators of impairment
Parkland performs a calculation to determine the recoverability of a non-financial asset when there is an indication that it may be impaired. The assessment of whether there is any indication that an asset may be impaired is performed at the end of each reporting period, and requires the application of judgment and use of external and internal sources of information.

Impairment of non-financial assets
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 of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions conducted at arm's length for similar assets, or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from Parkland's budget for the first year and Parkland's forecast for the next four years and do not include restructuring activities that Parkland is not yet committed to, or significant future investments that will enhance the performance of the asset or CGU being tested. The recoverable amount is 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. These estimates are most relevant to goodwill, property, plant and equipment and intangible assets recognized by Parkland.

Depreciation and amortization
Depreciation and amortization of property, plant and equipment and intangible assets incorporate estimates of useful lives and residual values. These estimates are based on past experience and industry norms, and may change as more experience is obtained or as market conditions change.

Risk management assets, risk management liabilities and Redemption Options
The fair values of these financial instruments are determined using third-party models, independent price publications, market exchanges, investment dealer quotes and valuation methodologies that utilize observable data. Actual values may differ from these estimates.

Accounts receivable
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. The accounts that are deemed uncollectible could materially change as a result of changes in a customer's financial situation.

Income taxes
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 on 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 the end of each reporting period.

(y) Comparative figures

The refinery and terminal remediation accrual balance of $13.8 as at December 31, 2015 has been reclassified to ARO in order to comply with the presentation of ARO adopted in the current year.

3. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following new standards, amendments and interpretations have been issued by the IASB and are expected to have an impact on Parkland. These accounting pronouncements are not effective for the fiscal year ended December 31, 2016 and accordingly have not been applied in preparing the consolidated financial statements.

(a) IFRS 9 – Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9, which replaces IAS 39 – Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The new standard introduces requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and the fair value of an entity's own debt.

IFRS 9 will be applied for annual periods beginning on or after January 1, 2018. Early adoption is permitted. Parkland is assessing the potential impact of this standard.

(b) IFRS 15 – Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, which replaces IAS 11 – Construction Contracts, IAS 18 – Revenue, and IFRIC 13 – Customer Loyalty Programmes, as well as various other interpretations regarding revenue. IFRS 15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers, except for contracts within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 also contains enhanced disclosure requirements.

IFRS 15 will be applied for annual periods beginning on or after January 1, 2018. Early adoption is permitted. Parkland is assessing the potential impact of this standard.

(c) IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16, which replaces IAS 17 – Leases ("IAS 17") and related interpretations. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is twelve months or less, or the underlying asset has a low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17 with the distinction between operating leases and finance leases being retained.

IFRS 16 will be applied for annual periods beginning on or after January 1, 2019. Early adoption is permitted if IFRS 15 has also been applied. Parkland is assessing the potential impact of this standard.

4. NET EARNINGS PER SHARE

For the years ended	**December 31, 2016**	December 31, 2015
Net earnings - basic and diluted	**47.2**	39.5
Weighted average number of common shares (000's of shares)	**95,274**	87,107
Effects of dilution from:		
- Share options	**332**	273
Weighted average number of common shares adjusted for the effects of dilution (000's of shares)	**95,606**	87,380
Net earnings per share ($ per share)		
- Basic	**0.50**	0.45
- Diluted	**0.49**	0.45

In computing the diluted net earnings per share amount for the year ended December 31, 2016, the impact of 9,430,000 subscription receipts and the related dividend equivalents were excluded, as their conversion to common shares is contingent on the closing of the CST Brands Canada Acquisition (refer to Notes 18 and 19) and the completion of certain release conditions.

5. ACCOUNTS RECEIVABLE

	December 31, 2016	December 31, 2015
Trade accounts receivable	**327.7**	243.9
Miscellaneous, government and other non-trade accounts receivable	**75.6**	79.2
Allowance for doubtful accounts	**(4.6)**	(8.8)
	398.7	314.3

6. INVENTORIES

	December 31, 2016	December 31, 2015
Gas and diesel	**67.8**	50.0
Propane and butane	**35.0**	14.5
Lubricants	**22.0**	28.0
Crude oil	**17.5**	5.4
Agricultural inputs	**2.7**	5.1
Natural gas and natural gas liquids	**0.2**	0.6
Merchandise and other	**19.5**	13.8
	164.7	117.4

For the year ended December 31, 2016, the amount of inventories recognized as cost of goods sold amounted to $5,472.6 (2015 – $5,603.7). Inventory write-downs recognized within expense for the year ended December 31, 2016 were $0.1 (2015 – $1.2).

($ millions, unless otherwise stated)

7. PROPERTY, PLANT AND EQUIPMENT

	Land	Land improvements	Buildings	Assets under finance lease	Plant and equipment	Asset retirement costs	Total
Cost							
As at January 1, 2016	**88.2**	**44.6**	**140.0**	**1.9**	**492.4**	**53.1**	**820.2**
Additions	**2.3**	**8.6**	**20.6**	**-**	**63.6**	**-**	**95.1**
Change in asset retirement obligations	**-**	**-**	**-**	**-**	**-**	**3.4**	**3.4**
Additions due to acquisitions (Note 19)	**3.4**	**5.8**	**7.4**	**-**	**17.8**	**-**	**34.4**
Consolidation of Hold Separate Assets (Note 19)	**0.4**	**0.1**	**1.0**	**-**	**0.9**	**-**	**2.4**
Disposals	**(0.3)**	**(0.8)**	**(3.4)**	**-**	**(21.1)**	**-**	**(25.6)**
Exchange differences	**(0.1)**	**-**	**(0.3)**	**-**	**(2.1)**	**(0.2)**	**(2.7)**
As at December 31, 2016	**93.9**	**58.3**	**165.3**	**1.9**	**551.5**	**56.3**	**927.2**
Depreciation							
As at January 1, 2016	**-**	**9.1**	**40.7**	**0.5**	**246.4**	**23.6**	**320.3**
Depreciation	**-**	**2.2**	**10.5**	**0.1**	**57.8**	**2.9**	**73.5**
Consolidation of Hold Separate Assets (Note 19)	**-**	**-**	**0.1**	**-**	**0.2**	**-**	**0.3**
Disposals	**-**	**(0.5)**	**(1.7)**	**-**	**(17.7)**	**-**	**(19.9)**
Exchange differences	**-**	**-**	**-**	**-**	**(0.9)**	**(0.1)**	**(1.0)**
As at December 31, 2016	**-**	**10.8**	**49.6**	**0.6**	**285.8**	**26.4**	**373.2**
Net book value							
As at December 31, 2016	**93.9**	**47.5**	**115.7**	**1.3**	**265.7**	**29.9**	**554.0**

	Land	Land improvements	Buildings	Assets under finance lease	Plant and equipment	Asset retirement costs	Total
Cost							
As at January 1, 2015	41.8	34.2	87.2	4.1	402.9	48.5	618.7
Additions	1.6	0.7	14.2	-	46.5	-	63.0
Change in asset retirement obligations	-	-	-	-	-	3.4	3.4
Additions due to acquisitions (Note 19)	46.8	9.6	38.6	-	43.0	-	138.0
Disposals	(3.0)	(0.4)	(1.9)	(2.2)	(8.5)	-	(16.0)
Exchange differences	1.0	0.5	1.9	-	8.5	1.2	13.1
As at December 31, 2015	88.2	44.6	140.0	1.9	492.4	53.1	820.2
Depreciation							
As at January 1, 2015	-	7.7	33.4	2.5	200.8	14.8	259.2
Depreciation	-	1.6	8.0	0.2	46.8	9.9	66.5
Disposals	-	(0.3)	(1.1)	(2.2)	(6.0)	(1.4)	(11.0)
Exchange differences	-	0.1	0.4	-	4.8	0.3	5.6
As at December 31, 2015	-	9.1	40.7	0.5	246.4	23.6	320.3
Net book value							
As at December 31, 2015	88.2	35.5	99.3	1.4	246.0	29.5	499.9

As at December 31, 2016, Parkland had $4.0 assets under construction (2015 – $13.2) consisting primarily of assets related to construction and upgrades of retail stations within the Retail Fuels and Parkland USA segments.

($ millions, unless otherwise stated)

8. INTANGIBLE ASSETS

	Customer relationships	Trade names	Non-compete and other agreements	Lease benefit	Software systems	Total
Cost						
As at January 1, 2016	**260.7**	**33.4**	**18.6**	**2.2**	**33.2**	**348.1**
Additions	**-**	**-**	**-**	**-**	**7.6**	**7.6**
Additions due to acquisitions (Note 19)	**21.2**	**5.9**	**9.0**	**-**	**0.1**	**36.2**
Consolidation of Hold Separate Assets (Note 19)	**0.3**	**0.3**	**0.4**	**-**	**-**	**1.0**
Disposals	**(0.3)**	**-**	**-**	**-**	**-**	**(0.3)**
Exchange differences	**(1.6)**	**(0.3)**	**-**	**-**	**-**	**(1.9)**
As at December 31, 2016	**280.3**	**39.3**	**28.0**	**2.2**	**40.9**	**390.7**
Amortization						
As at January 1, 2016	**125.7**	**10.4**	**7.4**	**1.6**	**10.4**	**155.5**
Amortization	**23.1**	**2.4**	**3.1**	**0.2**	**3.2**	**32.0**
Disposals	**(0.2)**	**-**	**-**	**-**	**-**	**(0.2)**
Exchange differences	**(0.2)**	**-**	**-**	**-**	**-**	**(0.2)**
As at December 31, 2016	**148.4**	**12.8**	**10.5**	**1.8**	**13.6**	**187.1**
Net book value						
As at December 31, 2016	**131.9**	**26.5**	**17.5**	**0.4**	**27.3**	**203.6**

	Customer relationships	Trade names	Non-compete and other agreements	Lease benefit	Software systems	Total
Cost						
As at January 1, 2015	238.2	20.5	6.6	1.9	23.9	291.1
Additions	0.1	-	-	-	9.9	10.0
Additions due to acquisitions (Note 19)	13.4	11.3	12.0	0.2	-	36.9
Disposals	-	-	-	-	(0.6)	(0.6)
Exchange differences	9.0	1.6	-	0.1	-	10.7
As at December 31, 2015	260.7	33.4	18.6	2.2	33.2	348.1
Amortization						
As at January 1, 2015	104.2	8.3	5.9	1.0	7.9	127.3
Amortization	20.2	1.9	1.5	0.6	2.5	26.7
Exchange differences	1.3	0.2	-	-	-	1.5
As at December 31, 2015	125.7	10.4	7.4	1.6	10.4	155.5
Net book value						
As at December 31, 2015	135.0	23.0	11.2	0.6	22.8	192.6

9. GOODWILL

	2016	2015
Goodwill, as at January 1	**540.5**	179.6
Acquisition of multiple businesses (Note 19)	**13.9**	2.8
Acquisition of Pioneer Energy (Note 19)	**-**	333.4
Acquisition of North Dakota service stations	**-**	7.7
Acquisition of Chevron-branded service stations	**-**	8.8
Consolidation of Hold Separate Assets (Note 19)	**7.7**	-
Exchange differences	**(1.7)**	8.2
Goodwill, as at December 31	**560.4**	540.5

Parkland tested goodwill for impairment as at December 31, 2016 and no impairment was identified. The recoverable amount of each group of CGUs was determined on a value-in-use basis. Value in use was calculated using a five-year period pre-tax cash flow projection based on the approved budget for the first year and forecast for the next four years.

($ millions, unless otherwise stated)

The goodwill balance has been allocated to groups of CGUs as follows:

	December 31, 2016	December 31, 2015
Retail Fuels West (formerly Retail Fuels)	**20.9**	20.7
Retail Fuels East (formerly Pioneer Energy)	**342.1**	333.4
Commercial Fuels	**100.5**	95.0
Supply and Wholesale	**0.1**	0.1
Elbow River	**35.9**	35.9
Parkland USA	**60.9**	55.4
	560.4	540.5

The key assumptions used in calculating the recoverable amount for each group of CGUs are as follows:

	December 31, 2016	December 31, 2015
Projected cash flows for Year 1	**Approved budget**	Approved budget
Average growth rate between Year 2 and Year 5	**1.0% - 3.3%**	1.0% - 3.3%
Growth rate beyond Year 5	**2.0%**	2.0%
Pre-tax discount rate	**10.5% - 13.9%**	12.2% - 15.0%

In determining the approved budget and growth rate between Year 2 and Year 5, weather, business, market and regional economic growth factors were considered. Cash flows beyond the five-year period are extrapolated using a 2% perpetuity growth rate, which aligns with the Bank of Canada's inflation control target of 1% to 3%.

The pre-tax discount rate calculation is based on the specific circumstances of Parkland and its groups of CGUs and is derived from its weighted average cost of capital ("WACC"). WACC is based on internal estimates that reflect past experience and management expectation regarding activity and operating results, taking into consideration business strategy and economic trends in the market.

The most sensitive key assumptions to the impairment model are the discount rate and the annual growth rates between Year 1 and Year 5. An increase of 1% in the discount rate, or a decrease of 1% in the growth rates between Year 1 and Year 5, with all other assumptions held constant, would not cause the recoverable amount of each group of CGUs to fall below their carrying amount.

10. LONG-TERM RECEIVABLES

Long-term receivables consist of dealer loans, forgivable loans to dealers and customers and other long-term receivables as follows:

	December 31, 2016	December 31, 2015
Dealer loans	**4.6**	2.2
Forgivable loans to dealers and customers	**22.2**	18.7
Amounts receivable from suppliers and other	**6.1**	2.0
	32.9	22.9

Dealer loans receivable are secured by specific assets of the borrower. Forgivable loans to dealers and customers are secured by specific assets of the dealers and customers and are amortized based on the volume of fuel product purchased from Parkland or on a straight-line basis over the term of the agreement. Under the volume of fuel product purchased method, a portion of the loan is recognized as a reduction of sales and operating revenue for every litre of fuel product purchased by the dealer or customer.

($ millions, unless otherwise stated)

11. OTHER LONG-TERM ASSETS

	December 31, 2016	December 31, 2015
Redemption Options (Note 13)	**8.7**	9.2
Long-term prepaid expenses and deposits	**3.2**	4.1
	11.9	13.3

12. LONG-TERM DEBT AND CREDIT FACILITY

	December 31, 2016	December 31, 2015
Credit Facility (a)	**132.4**	36.7
Unamortized discount: deferred financing costs	**(0.8)**	(0.3)
	131.6	36.4
Senior Unsecured Notes (b)		
5.50% Senior Notes, due 2021	**200.0**	200.0
Unamortized premium: Redemption Options	**2.2**	2.6
Unamortized discount: deferred financing costs	**(3.3)**	(4.0)
6.00% Senior Notes, due 2022	**200.0**	200.0
Unamortized premium: Redemption Options	**4.0**	4.5
Unamortized discount: deferred financing costs	**(3.7)**	(4.2)
5.75% Senior Notes, due 2024	**300.0**	-
Unamortized premium: Redemption Options	**3.0**	-
Unamortized discount: deferred financing costs	**(6.4)**	-
	695.8	398.9
Finance lease obligations	**1.2**	1.4
Collateralized notes (c)	**7.9**	8.7
	9.1	10.1
Total long-term debt	**836.5**	445.4
Less: current portion	**(298.5)**	(4.4)
Long-term debt	**538.0**	441.0

The following table provides a summary of the estimated principal repayments of long-term debt:

	2017	**2018**	**2019**	**2020**	**2021**	**Thereafter**	**Interest included in minimum lease payments**	**Total**
Credit Facility (a)	**-**	**-**	**-**	**132.4**	**-**	**-**	**-**	**132.4**
Senior Unsecured Notes (b)								
5.50% Senior Notes, due 2021	**-**	**-**	**-**	**-**	**200.0**	**-**	**-**	**200.0**
6.00% Senior Notes, due 2022	**-**	**-**	**-**	**-**	**-**	**200.0**	**-**	**200.0**
5.75% Senior Notes, due 2024[1]	**300.0**	**-**	**-**	**-**	**-**	**-**	**-**	**300.0**
Finance lease obligations	**0.8**	**0.1**	**0.1**	**0.1**	**0.1**	**0.2**	**(0.2)**	**1.2**
Collateralized notes (c)	**1.3**	**2.7**	**1.0**	**0.7**	**1.7**	**0.5**	**-**	**7.9**
	302.1	**2.8**	**1.1**	**133.2**	**201.8**	**200.7**	**(0.2)**	**841.5**

(1) The 5.75% Senior Notes are classified as a current liability as it is mandatorily redeemable if certain conditions related to the CST Brands Canada Acquisition are not satisfied before August 22, 2017.

(a) Credit Facility

On June 30, 2016, Parkland amended its revolving extendible credit facility (the "Credit Facility") to extend the maturity to November 30, 2020. The facility is extendible each year for a rolling four-year period at Parkland's option, subject to approval by the lenders. If the Credit Facility is not extended, all amounts outstanding would be repayable on November 30, 2020.

($ millions, unless otherwise stated)

The Credit Facility consists of: i) $320.0 for the Canadian Syndicated Facility and US$30.0 for the US Operating Facility, less the value of letters of credit issued, and ii) letters of credit to a maximum of Canadian $100.0 and US$10.0. The total outstanding balance for letters of credit was $8.9 as at December 31, 2016 (2015 – $14.9), with various maturity dates up to November 30, 2017.

Information pertaining to the Credit Facility as at December 31, 2016 is summarized as follows:

	Rate	Effective rate as at December 31, 2016	Balance as at December 31, 2016
Canadian Syndicated Facility			
Canadian Prime Rate Loan	Prime + 0.75%	3.70%	**9.8**
Banker's acceptance	Banker's acceptance + 1.75%	2.64%	**82.0**
LIBOR Loan	LIBOR + 1.75%	2.46%	**8.1**
US Operating Facility	Prime + 0.75%	3.70%	**32.5**
Outstanding borrowings under the Credit Facility			**132.4**

Security on the Credit Facility is the assignment of insurance and a floating charge demand debenture for $900.0, creating a first floating charge over all of the undertaking, property and assets of Parkland.

As at December 31, 2016, Parkland provided $743.6 (2015 – $758.9) of unsecured guarantees to counterparties of commodities swaps and US dollar forward exchange contracts used in natural gas liquids and crude oil purchases and supply agreements.

(b) Senior Unsecured Notes

The Senior Unsecured Notes are notes guaranteed by Parkland's subsidiaries and are unsecured obligations. Information pertaining to the Senior Unsecured Notes is summarized below:

Series[i]	Private placement date	Maturity date	Principal amount
5.50% Senior Notes	May 29, 2014	May 28, 2021	**200.0**
6.00% Senior Notes	November 21, 2014	November 21, 2022	**200.0**
5.75% Senior Notes	September 16, 2016	September 16, 2024	**300.0**
			700.0

[i] Interest is paid semi-annually.

The 5.75% Senior Notes will be used to partially fund the CST Brands Canada Acquisition (see Note 19). The proceeds of the 5.75% Senior Notes are being held in escrow. The 5.75% Senior Notes are mandatorily redeemable if certain conditions relating to the CST Brands Canada Acquisition are not satisfied before August 22, 2017. As such, proceeds are being held in escrow and the 5.75% Senior Notes have been classified as a current liability within long-term debt.

The Senior Unsecured Notes contain covenants that limit certain of Parkland's ability to incur additional debt, make certain restricted payments and investments, create liens, enter into transactions with affiliates, and consolidate, merge, transfer or sell all or substantially all of its property and assets.

(c) Collateralized notes

Collateralized notes are US dollar denominated debts held with various financial institutions and secured by various real estate and equipment in Parkland USA. The notes carry fixed interest rates ranging from 3.3% to 6.2% (2015 – 2.4% to 6.2%), have monthly payment terms, and have maturity dates ranging from 2017 to 2028.

($ millions, unless otherwise stated)

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT ACTIVITIES

(a) Fair value measurement hierarchy

The tables below present information about the financial assets and liabilities measured at fair value on a recurring basis and the fair value hierarchy of the valuation techniques used:

	Fair value as at December 31, 2016			
	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Redemption Options	-	8.7	-	8.7
Risk management assets				
Commodities swaps and forward contracts	-	0.7	-	0.7
US dollar forward exchange contracts	-	0.1	-	0.1
Total risk management assets	-	0.8	-	0.8
Risk management liabilities				
Commodities swaps and forward contracts	-	(7.2)	-	(7.2)
Commodities futures contracts	-	(0.5)	-	(0.5)
US dollar forward exchange contracts	-	(0.7)	-	(0.7)
Total risk management liabilities	-	(8.4)	-	(8.4)

	Fair value as at December 31, 2015			
	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Redemption Options	-	9.2	-	9.2
Risk management assets				
Commodities swaps and forward contracts	-	4.6	-	4.6
US dollar forward exchange contracts	-	0.2	-	0.2
Total risk management assets	-	4.8	-	4.8
Risk management liabilities				
Commodities swaps and forward contracts	-	(0.2)	-	(0.2)
US dollar forward exchange contracts	-	(3.4)	-	(3.4)
Total risk management liabilities	-	(3.6)	-	(3.6)

(b) Redemption Options

The Senior Unsecured Notes contain optional redemption features that allow Parkland to redeem the notes prior to maturity at a premium (the "Redemption Options"). The Redemption Options are accounted for as embedded derivative financial instruments and are carried at fair value at $8.7 as at December 31, 2016 (2015 – $9.2).

On initial recognition, the carrying values of the Senior Unsecured Notes were increased by the fair values of the Redemption Options, which are amortized to finance costs over the respective terms of the Senior Unsecured Notes (Note 14). Change in the fair value of the Redemption Options is recognized as finance costs (Note 14). The Redemption Option related to the 5.75% Senior Notes was ascribed a fair value of $3.1 on its initial recognition on September 16, 2016.

($ millions, unless otherwise stated)

(c) Fair value measurement hierarchy transfers

Transfers between fair value measurement hierarchy levels are recognized at the date of the event or change in circumstances that caused the transfer. There were no transfers between levels during the year ended December 31, 2016. There were also no changes in the purpose of any financial asset or financial liability that subsequently resulted in a different classification of that asset or liability.

(d) Offsetting risk management positions

Parkland enters into arrangements that allow for offsetting of accounts payable and accounts receivable, which are presented on a net basis on the consolidated balance sheets, as shown in the table below:

	December 31, 2016			December 31, 2015		
	Assets	**Liabilities**	**Net**	Assets	Liabilities	Net
Gross amount	**4.7**	**(12.3)**	**(7.6)**	8.0	(6.8)	1.2
Amount offset	**(3.9)**	**3.9**	**-**	(3.2)	3.2	-
Total risk management assets (liabilities)	**0.8**	**(8.4)**	**(7.6)**	4.8	(3.6)	1.2

(e) Other financial instruments

The carrying values of cash and cash equivalents, restricted cash, cash held in escrow, accounts receivable, bank indebtedness, accounts payable and accrued liabilities, and dividends declared and payable approximate their fair values as at December 31, 2016 due to the short-term nature of these instruments. The carrying value of the long-term receivables approximates fair value as at December 31, 2016, as Parkland currently issues loans and advances to dealers and customers with similar terms. The total of the Senior Unsecured Notes had a carrying value of $700.0 and an estimated fair value of $700.5 as at December 31, 2016 (2015 – $400.0 and $382.0 respectively). The carrying value of other long-term debt approximates fair value as at December 31, 2016, as either the interest rate on the long-term debt is adjusted monthly or the debt was issued recently. The carrying values of other long-term liabilities approximate their fair values as at December 31, 2016, given that they are either adjusted to fair value on a quarterly basis or they are related to liabilities that have been recently incurred.

(f) Market risk

Market risk is the risk or uncertainty arising from market price movements and their impact on the future performance of the business. The market price movements that could adversely affect the value of the company's financial assets, liabilities and expected future cash flows include US dollar currency, commodity price, interest rate and credit risks.

US dollar currency risk

Parkland is exposed to foreign currency risk relating to Parkland's operating activities, such as purchasing and selling certain products and services in US dollars as well as Parkland's net investment in US subsidiaries. The following table demonstrates the sensitivity to a $0.10 change in US dollar to Canadian dollar exchange rates on financial instruments denominated in US dollars, with all other variables held constant. The impact on Parkland's net earnings is driven by changes in the fair value of monetary assets and liabilities and outstanding US dollar forward exchange contracts.

For the years ended	**December 31, 2016**	December 31, 2015
$0.10 increase in USD-CAD exchange rate:		
- Effect on net earnings	**1.4**	2.9
- Effect on other comprehensive income (loss), net of tax	**-**	(1.6)
	1.4	1.3

Hedge of net investment in foreign operations

During the second quarter of 2016, Parkland discontinued its net investment hedge in SPF Energy Inc. ("SPF"), a foreign subsidiary in the Parkland USA segment that has a US dollar functional currency. As at December 31, 2016, no amounts have been designated as a hedge of the net investment in SPF (2015 – US$26,500).

($ millions, unless otherwise stated)

Foreign exchange loss (gain)

The following table details the foreign exchange loss (gain) as presented on the consolidated statements of income:

For the years ended	December 31, 2016	December 31, 2015
Unrealized loss (gain) on foreign exchange	**1.1**	(0.2)
Realized loss (gain) on foreign exchange	**0.8**	(4.0)
Foreign exchange loss (gain)	**1.9**	(4.2)

(g) Commodity price risk

Commodity price risk is the risk that Parkland is exposed to unfavourable commodity price movements that will result in a financial loss. Parkland enters into derivative instruments to mitigate commodity price risk volatility as part of its risk management strategy. These financial instruments are subject to financial controls, risk management and monitoring procedures. Parkland does not use derivative contracts for speculative purposes. As at December 31, 2016, a 5% change in commodities forward contract pricing, with other variables held constant, would cause an increase or decrease to net earnings of approximately $4.3 (2015 – $3.4).

Loss on risk management activities

The following table details the loss on risk management activities as presented on the consolidated statements of income:

For the years ended	December 31, 2016	December 31, 2015
Unrealized loss (gain) on risk management activities	**8.9**	(1.5)
Realized loss on risk management activities	**8.2**	3.1
Loss on risk management activities	**17.1**	1.6

(h) Interest rate risk

Interest rate risk arises from the impact of fluctuating interest rates on earnings, cash flows and valuations. Parkland is exposed to market risk from changes in the Canadian prime interest rate, banker's acceptance rate and LIBOR rate, which can impact its borrowing costs. Parkland monitors and analyzes the interest rate risk on a regular basis and mitigates interest rate risk by considering refinancing, credit line renewals, hedging options and issuing long-term debt at a fixed rate. As at December 31, 2016, a 100 basis point change in these interest rates, with all other variables held constant, would have caused an increase or decrease to consolidated net earnings of approximately $0.5 (2015 – $0.7).

(i) Credit risk

Credit risk is the risk that Parkland's counterparties will not meet their obligations or pay amounts due, leading to a financial loss. Parkland manages its exposure to credit risk through a variety of means, including, but not limited to, rigorous credit granting procedures, ongoing credit evaluations and monitoring of outstanding amounts by customers, and use of standby and commercial letters of credit where applicable.

Parkland does not have significant credit exposure to any individual customer and is minimized by Parkland's broad customer and geographic base. A substantial portion of Parkland's accounts receivable are with customers in the oil and gas, mining and forestry industries, and are subject to normal industry credit risks. The maximum exposure of credit risk of accounts receivable is their carrying value. Counterparties for all risk management activities transacted by Parkland are major financial institutions or counterparties with investment grade credit ratings.

As at December 31, 2016, the provision for impairment of credit losses on trade accounts receivable was $4.6 (2015 – $8.8) and there was no provision for impairment of credit losses on long-term receivables (2015 – $0.2).

($ millions, unless otherwise stated)

The following tables provide aging analysis of trade accounts receivable, net of allowance for doubtful accounts:

December 31, 2016	**Current or 1-30 days past due**	**31-60 days past due**	**61-90 days past due**	**Over 90 days past due**	**Total**
Trade accounts receivable	**300.5**	**13.2**	**4.4**	**9.6**	**327.7**
Allowance for doubtful accounts	**(1.0)**	**(0.1)**	**(0.3)**	**(3.2)**	**(4.6)**
	299.5	**13.1**	**4.1**	**6.4**	**323.1**

December 31, 2015	Current or 1-30 days past due	31-60 days past due	61-90 days past due	Over 90 days past due	Total
Trade accounts receivable	215.5	12.0	4.1	12.3	243.9
Allowance for doubtful accounts	(2.5)	(0.1)	(0.4)	(5.8)	(8.8)
	213.0	11.9	3.7	6.5	235.1

(j) Liquidity risk

Liquidity risk is the risk that Parkland will not be able to meet its financial obligations as they become due. Parkland mitigates liquidity risk by forecasting spending and cash flow requirements, taking into account the seasonality of Parkland's working capital needs, and ensuring it has access to multiple sources of capital to the extent possible, including cash and cash equivalents, cash from operating activities, undrawn credit facilities and access to various credit products at competitive rates. As at December 31, 2016, Parkland has available unused credit facilities in the amount of $219.0 (2015 – $269.7). Parkland believes it has sufficient funding through the use of its facilities to meet foreseeable liquidity requirements.

The following tables provide an analysis of contractual maturities for financial liabilities:

December 31, 2016	**Less than one year**	**Years 2 and 3**	**Years 4 and 5**	**Thereafter**	**Total**
Accounts payable and accrued liabilities	**496.1**	**-**	**-**	**-**	**496.1**
Dividends declared and payable	**9.2**	**-**	**-**	**-**	**9.2**
Risk management	**8.4**	**-**	**-**	**-**	**8.4**
Long-term debt(1)(2)	**346.5**	**60.0**	**380.1**	**212.8**	**999.4**
Other liabilities	**226.4**	**8.6**	**-**	**-**	**235.0**
	1,086.6	**68.6**	**380.1**	**212.8**	**1,748.1**

December 31, 2015	Less than one year	Years 2 and 3	Years 4 and 5	Thereafter	Total
Bank indebtedness	15.3	-	-	-	15.3
Accounts payable and accrued liabilities	349.2	-	-	-	349.2
Dividends declared and payable	8.5	-	-	-	8.5
Risk management	3.6	-	-	-	3.6
Long-term debt(1)	29.3	86.9	46.8	429.0	592.0
Other liabilities	1.0	8.2	-	-	9.2
	406.9	95.1	46.8	429.0	977.8

(1) Undiscounted principal and interest, including current portion and finance lease obligations.
(2) Amounts under "less than one year" include the 5.75% Senior Notes classified as a current liability. The 5.75% Senior Notes are mandatorily redeemable if certain conditions related to the CST Brands Canada Acquisition are not satisfied before August 22, 2017.

($ millions, unless otherwise stated)

14. FINANCE COSTS

For the years ended	December 31, 2016	December 31, 2015
Interest on long-term debt	**33.6**	27.1
Interest and accretion on convertible debentures	**-**	2.7
Amortization of deferred financing costs	**1.7**	1.7
Accretion on asset retirement obligations	**3.7**	3.3
Change in fair value of Redemption Options	**3.6**	2.2
Amortization of debt premium arising from Redemption Options	**(1.0)**	(0.9)
Interest income	**(1.4)**	(1.2)
	40.2	34.9

15. CAPITAL MANAGEMENT

Parkland's capital structure comprises bank indebtedness, long-term debt (including the current portion) and shareholders' equity, less cash, cash equivalents and restricted cash. Parkland's objective when managing its capital structure is to maintain financial flexibility and availability of capital to finance internally generated growth and potential acquisitions.

Parkland monitors its capital structure and financing requirements using non-GAAP financial metrics included in its Credit Facility debt covenants, consisting of: Senior Funded Debt to Credit Facility EBITDA ratio, Total Funded Debt to Credit Facility EBITDA ratio and Interest Coverage ratio. The Credit Facility EBITDA is defined under the terms of the Credit Facility (see Note 12) and does not have any standardized meaning prescribed under IFRS and is therefore unlikely to be comparable to similar measures presented by other companies.

As at December 31, 2016, Parkland was in compliance with all debt covenants. Parkland's covenant restrictions, management long-term targets and actual debt covenants ratios are as follows:

Ratio	Covenant restriction	Management long-term target	Actual debt covenant ratios as at December 31, 2016	December 31, 2015
1. Senior Funded Debt to Credit Facility EBITDA ratio	< 3.50 at Q1 and Q4 and first two full quarters following a completion of a material acquisition, and < 3.00 as at Q2 and Q3	< 3.50 at Q1 and Q4 and first two full quarters following a completion of a material acquisition, and < 3.00 as at Q2 and Q3	**0.48**	0.28
2. Total Funded Debt to Credit Facility EBITDA ratio	<4.50	2.00 - 3.50	**2.02**	1.94
3. Interest Coverage ratio	>3.00	>3.00	**7.33**	8.16

Parkland manages its capital structure and makes adjustments according to market conditions to maintain flexibility while achieving the 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. The Total Funded Debt to Credit Facility EBITDA ratio target may be modified if strategic acquisitions are available.

($ millions, unless otherwise stated)

16. NET CHANGE IN NON-CASH WORKING CAPITAL

For the years ended	**December 31, 2016**	December 31, 2015
Accounts receivable	**(81.5)**	148.6
Inventories	**(43.6)**	28.6
Income taxes receivable	**(9.3)**	(3.3)
Prepaid expenses and other	**3.8**	(4.2)
Accounts payable and accrued liabilities	**133.9**	(90.8)
Deferred revenue	**5.5**	4.1
Total net changes in non-cash working capital	**8.8**	83.0

17. ASSET RETIREMENT OBLIGATIONS

	2016	2015
Asset retirement obligations, as at January 1	**129.2**	74.0
Additional provisions made in the year	**11.5**	7.8
Additions due to acquisitions (Note 19)	**1.0**	52.4
Consolidation of Hold Separate Assets (Note 19)	**1.0**	-
Obligations settled during the year	**(3.8)**	(3.1)
Change in estimated future cash flows	**(7.3)**	(6.6)
Change due to passage of time, foreign exchange and discount rate	**0.1**	4.7
Asset retirement obligations, as at December 31	**131.7**	129.2
Current	**10.3**	20.8
Non-current	**121.4**	108.4
Asset retirement obligations, as at December 31	**131.7**	129.2

The total undiscounted estimated future cash flows required to settle Parkland's asset retirement obligations were $206.7 as at December 31, 2016 (2015 – $201.8). The costs are expected to be paid up to 2047 (2015 – 2046). As at December 31, 2016, the inflation rates used to determine the value of future costs ranged from 2.70% to 2.80% (2015 – 2.80% to 3.00%) and the discount rates used to determine the present value of the future costs, which is based on government bond rates plus a risk premium, ranged from 4.02% to 4.76% (2015 – 3.77% to 4.64%).

18. 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 without par value. There are no preferred shares outstanding. Changes to shareholders' capital were as follows:

	2016		2015	
	Number of common shares (000's)	**Amount ($ millions)**	Number of common shares (000's)	Amount ($ millions)
Shareholders' capital, as at January 1	**93,856**	**857.5**	82,114	584.9
Issued on business acquisitions (Note 19)	**20**	**0.6**	5,830	150.1
Share issuance costs	**-**	**(0.1)**	-	(0.2)
Issued under dividend reinvestment plan, net of costs	**1,917**	**44.4**	2,952	69.3
Issued under share option plan	**260**	**5.1**	340	6.2
Issued on vesting of restricted share units	**185**	**2.7**	270	4.9
Issued upon conversion of convertible debentures	**-**	**-**	2,350	42.3
Shareholders' capital, as at December 31	**96,238**	**910.2**	93,856	857.5

Dividends

During the year ended December 31, 2016, Parkland declared dividends of $109.1 (2015 – $97.6). Shareholders of record prior to March 22, 2016 received a regular monthly dividend of $0.0900 per share, and shareholders of record on or after March 22, 2016 received a regular monthly dividend of $0.0945 per share.

Shareholders are able to elect to participate in the Enhanced Dividend Reinvestment Plan, and prior to April 1, 2016, the Premium Dividend™ or the Enhanced Dividend Reinvestment Plan. 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. The Premium Dividend™ provided eligible shareholders with a 2% cash premium on top of their regular cash dividend. Participants electing this option received a monthly payment of $0.0918 per share for dividend declared prior to March 22, 2016. The Premium Dividend™ Plan was discontinued effective April 1, 2016. Parkland recognizes the dividend payable related to these plans based on the market value of its common shares on the day of the payment. During 2016, 1,917 thousand common shares were issued under these plans, which contributed $44.4 to shareholders' capital, net of costs (2015 – 2,952 thousand common shares contributing to $69.3 of shareholders' capital, net of costs).

Dividends declared on December 13, 2016 were $9.1 at $0.0945 per share and were paid on January 13, 2017 (2015 – $8.4 at $0.0900 per share).

(b) Share options

Changes in the number of share options held by directors, officers and employees with their average exercise prices per option are summarized below:

	2016		2015	
	Number of options (000's)	**Average exercise price ($ per option)**	Number of options (000's)	Average exercise price ($ per option)
Share options, as at January 1	**2,511**	**19.92**	2,242	17.88
Granted	**1,013**	**22.90**	696	24.88
Exercised	**(260)**	**17.96**	(341)	16.66
Forfeited	**(391)**	**21.20**	(86)	19.81
Share options, as at December 31	**2,873**	**20.97**	2,511	19.92
Exercisable options, as at December 31	**1,139**	**17.97**	827	15.62

The range of exercise prices and weighted average remaining contractual lives relating to share options outstanding are summarized below:

Range of exercise prices	**Number of options (000's)**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price ($ per option)**
$12.00 – $15.99	**392**	**3**	**12.85**
$16.00 – $19.99	**310**	**4**	**17.97**
$20.00 – $23.99	**1,564**	**7**	**22.07**
$24.00 – $27.99	**607**	**6**	**24.89**
Share options as at December 31, 2016	**2,873**	**6**	**20.97**

Share option expense included in marketing, general and administrative expenses for the year ended December 31, 2016 was $1.7 (2015 – $1.5). Options were exercised on a regular basis throughout the year. The weighted average share price during the year was $25.38 per share (2015 – $23.32 per share).

The weighted average fair values of the options granted and the weighted average assumptions used in the Black-Scholes valuation models to determine their fair values are as follows:

	2016	2015
Exercise price and share price at grant date ($ per option)	**22.90**	24.88
Volatility (%)	**25.35**	22.73
Dividend yield (%)	**4.96**	4.34
Expected life of option (years)	**5**	8
Annual risk free interest rate (%)	**0.70**	0.68
Fair value ($ per option)	**2.62**	2.17

The expected lives of the awards are based on historical data and current expectations, and are not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility of daily share prices over the last two years is indicative of future trends, which may not necessarily be the actual outcome.

(c) Restricted share units

The following table summarizes the RSUs held by directors, officers and employees:

	2016		2015	
	Number of RSUs (000's)	**Weighted average price ($ per share)**	Number of RSUs (000's)	Weighted average price ($ per share)
Restricted share units, as at January 1	**784**	**21.76**	564	18.12
Granted	**443**	**22.89**	670	22.75
Dividend equivalents	**23**	**22.77**	13	21.87
Issued on vesting	**(327)**	**20.10**	(413)	18.66
Forfeited	**(133)**	**20.98**	(50)	19.55
Restricted share units, as at December 31	**790**	**23.06**	784	21.76

RSU expense included in marketing, general and administrative expenses for year ended December 31, 2016 was $7.8 (2015 – $10.1).

(d) Deferred share units

The following table summarizes the number of DSUs held by non-executive members of the Board of Directors:

	2016	2015
	Number of DSUs (000's)	Number of DSUs (000's)
Deferred share units, as at January 1	**158**	139
Granted	**34**	29
Dividend equivalent	**9**	7
Redeemed	**(46)**	(17)
Deferred share units, as at December 31	**155**	158

The liability recorded for DSUs in other long-term liabilities as at December 31, 2016 was $4.3 (2015 – $3.7). Expense related to DSUs included in marketing, general and administrative expenses for the year ended December 31, 2016 was $2.0 (2015 – $1.1).

(e) Subscription receipts

On September 7, 2016, Parkland issued 9,430,000 subscription receipts to partially fund the CST Brands Canada Acquisition at a price of $24.50 each for total gross proceeds of $231.0. Each subscription receipt entitles the holder to receive one common share and the applicable dividend equivalent amount upon closing of the CST Brands Canada Acquisition (see Note 19) and certain release conditions. The subscription receipts automatically terminate and are cancelled if certain conditions relating to the CST Brands Canada Acquisition are not satisfied before August 22, 2017, and thus have been classified as a current liability in other liabilities – current portion. The proceeds of the subscription receipts are being held in escrow. As at December 31, 2016, subscription receipts recorded within other liabilities of $226.4 comprise gross proceeds of $231.0, offset by deferred financing costs of $4.6. If the release conditions for the escrow are met and the common shares are issued, the liability amount will be reclassified to shareholders' capital, net of any dividend equivalents owing to the holders.

(f) Base shelf prospectus and "At-the-Market" equity finance program

On April 11, 2016, Parkland filed a base shelf prospectus ("Shelf Prospectus") for debentures, notes and other evidence of indebtedness and common shares (collectively, the "Securities") having an aggregate offering amount of up to $500.0. The Shelf Prospectus allows for the offering of the Securities from time to time in one or more offerings. Terms of the Securities, including, but not limited to, prices or maturity dates, will be determined at the date of issue.

On June 3, 2016, Parkland entered into an equity distribution agreement with Canaccord Genuity Corporation pursuant to which Parkland may, from time to time, sell common shares of Parkland for aggregate gross proceeds of up to $110.0. The common shares will be distributed at market prices prevailing at the time of the sale and, as a result, prices may vary between purchasers and during the period of distribution. The volume and timing of sales, if any, will be determined at the sole discretion of Parkland's Board of Directors and management. The offering would be made pursuant to a prospectus supplement ("Prospectus Supplement") to the Shelf Prospectus dated June 3, 2016. As at March 2, 2017, no Securities have been issued under the Shelf Prospectus or the Prospectus Supplement. The Shelf Prospectus expires in May 2018.

19. BUSINESS COMBINATIONS

(a) Acquisition of multiple businesses

During the second, third and fourth quarters of 2016, Parkland completed the acquisitions of individually immaterial businesses complementary to Parkland's existing lines of business in Wyoming, USA and Quebec, Saskatchewan, Alberta, and Ontario, Canada. These acquisitions are expected to support Parkland's growing Retail Fuels, Commercial Fuels and Parkland USA segments in those regions.

($ millions, unless otherwise stated)

The preliminary fair value of the identifiable assets and liabilities of these individually immaterial acquisitions are presented below. Parkland expects to finalize these amounts no later than one year from the acquisition date.

	Multiple businesses
Assets	
Cash and cash equivalents	**0.1**
Accounts receivable	**3.1**
Inventories	**4.2**
Prepaid expenses and other	**1.0**
Property, plant and equipment (Note 7)	**34.4**
Intangible assets (Note 8)	**36.2**
Deferred tax asset (Note 20)	**0.4**
	79.4
Liabilities	
Bank indebtedness	**(0.4)**
Accounts payable and accrued liabilities	**(2.0)**
Deferred tax liability (Note 20)	**(0.7)**
Asset retirement obligations (Note 17)	**(1.0)**
	(4.1)
Goodwill arising on acquisition (Note 9)	**13.9**
Purchase consideration transferred	**89.2**
Fair value analysis of purchase consideration transferred	
Cash paid	**88.6**
Common shares issued on date of acquisition	**0.6**
Total purchase consideration	**89.2**
Analysis of cash flows on acquisition	
Cash paid	**88.6**
Net cash acquired	**(0.1)**
Bank indebtedness assumed	**0.4**
Net cash outflow	**88.9**

The transactions were accounted for using the acquisition method. The allocation of the purchase price was based on the fair value of identifiable assets, including assets acquired and liabilities assumed at the effective date of the acquisitions, with the excess of the purchase price over the fair value being allocated to goodwill.

Goodwill arising on acquisition is attributable to the earnings capacity of the acquired businesses in excess of the net tangible assets and net intangible assets acquired, the geographic presence of the acquired businesses, the benefits of acquiring the established businesses with certain capabilities in the industry, as well as expected synergies and other benefits from the acquisitions. All amounts assigned to goodwill are deductible for income tax purposes.

Given the recent timing of the transactions, Parkland is still assessing the fair value of the net assets acquired. As a result, these amounts are subject to change.

Revenue and net loss of the individually immaterial businesses included in the consolidated statements of comprehensive income since the acquisition date were $15.4 and $3.9, respectively. The estimated revenue and net income of Parkland for the year ended December 31, 2016 would have been approximately $6,329.1 and $47.1, respectively, if the acquisition date for all business combinations that took place during the year ended December 31, 2016 occurred on January 1, 2016. Although these amounts represent Parkland's best estimate, there can be no assurance that this would have been the actual results had the business combinations occurred on January 1, 2016.

($ millions, unless otherwise stated)

(b) Acquisition of Pioneer Energy

On June 25, 2015, Parkland completed the acquisition of substantially all of the assets and select liabilities comprising the Pioneer Energy business ("Pioneer Energy") (the "Pioneer Acquisition"). At the date of acquisition, Pioneer Energy's network consisted of 397 retailer and dealer operated service stations in Ontario and Manitoba, which included 152 Pioneer-branded and 230 Esso-branded service stations. The Pioneer Acquisition is expected to expand Parkland's retailer and dealer-operated service station network and provide access to key markets, material supply synergies and an expandable platform for growth in Ontario and Manitoba. The finalized fair values of the identifiable assets and liabilities of Pioneer Energy and the purchase consideration are presented below:

	Pioneer Energy
Assets	
Accounts receivable	**15.3**
Prepaid expenses and other	**21.8**
Inventories	**19.2**
Property, plant and equipment	**106.5**
Intangible assets	**36.9**
Deferred tax asset	**16.7**
	216.4
Liabilities	
Accounts payable and accrued liabilities	**(104.0)**
Asset retirement obligations	**(48.2)**
	(152.2)
Goodwill arising on acquisition (Note 9)	**333.4**
Purchase consideration transferred	**397.6**
Fair value analysis of purchase consideration transferred	
Cash paid on date of acquisition	**254.1**
Cash received on working capital adjustment	**(6.6)**
Common shares issued on date of acquisition	**150.1**
Purchase consideration transferred	**397.6**

The transaction was accounted for using the acquisition method. The allocation of the purchase price was based on a provisional assessment of the fair value of identifiable assets, including assets acquired and liabilities assumed at the effective date of the acquisition, with the excess of the purchase price over the fair value being allocated to goodwill. Parkland engaged independent valuators to determine the fair value allocated to the property, plant and equipment and intangible assets.

During the first quarter of 2016, Parkland revised the preliminary fair values of the identifiable assets from the amounts previously reported and updated the purchase price equation to reflect new information obtained during the measurement period about the acquisition-date fair value of prepaid expenses and other. The result was a decrease of $7.0 to prepaid expenses and other, an increase of $0.5 to deferred tax asset, and an increase of $6.5 to goodwill. These adjustments have been applied retrospectively to the acquisition date of June 25, 2015, resulting in a revised prepaid expenses and other balance of $21.8, a revised deferred tax asset balance of $16.7, and a revised goodwill balance of $333.4.

Hold Separate Assets

In connection with the Pioneer Acquisition, the Competition Tribunal of Canada (the "Competition Tribunal") had issued an interim order (the "Interim Order") whereby the Pioneer Energy supply agreements with independent dealers and Pioneer Energy owned corporate sites in six local communities were to be held separate from Parkland's other assets and operations and be managed by an independent third-party manager (the "Hold Separate Assets"). On March 29, 2016, Parkland and the Commissioner of Competition (the "Commissioner") entered into a consent agreement registered with the Competition Tribunal to settle the litigation (the "Settlement") initiated by the Commissioner with respect to the Hold Separate Assets.

($ millions, unless otherwise stated)

During the third quarter of 2016, Parkland satisfied all but one of its obligations pursuant to the Settlement, and acquired control of the Hold Separate Assets, which it did not divest as part of such process. The sole remaining obligation under the Settlement is the requirement for Parkland to not increase dealer prices relative to rack prices or delivery fees charged to dealers in one community for a six-year period. As a result, the equity interests in the Hold Separate Assets have been derecognized from prepaid expenses and other, and the financial results of the Hold Separate Assets have been consolidated into the consolidated financial statements (see Notes 7, 8 and 17).

Pioneer Commercial Business

In connection with the Pioneer Acquisition, Parkland entered into an agreement with the vendors of such business providing that Parkland would not, directly or indirectly, in any capacity, own, operate, control or otherwise be involved with the commercial assets of Pioneer or the operations thereof in Ontario, New Brunswick and Nova Scotia (collectively, the "Pioneer Commercial Assets"). The Pioneer Commercial Assets were owned, operated and controlled solely by the vendors and their employees until its sale to a third party, with Parkland maintaining an indirect economic interest in the Pioneer Commercial Assets and the proceeds of any disposition thereof. The sale of the Pioneer Commercial Assets to a third party was completed on September 30, 2016.

(c) Acquisition of the Canadian business and assets of CST Brands, Inc.

During the third quarter of 2016, Parkland entered into an agreement with Alimentation Couche-Tard Inc. ("Couche-Tard") to acquire the majority of the Canadian business and assets of CST Brands, Inc. ("CST") for a preliminary purchase price of approximately $965.0 (the "CST Brands Canada Acquisition"). Concurrently, Couche-Tard announced a definitive merger agreement with CST under which Couche-Tard will acquire CST, subject to customary conditions and regulatory approvals (the "Couche-Tard CST Transaction"). The Canadian business and assets that Parkland will acquire as part of the CST Brands Canada Acquisition consist of: (i) CST's dealer and commissioned agents retail business, (ii) CST's commercial cardlock business, (iii) CST's commercial and home heat businesses, (iv) a number of CST's company-operated stores to be determined following the Competition Bureau of Canada's review of the Couche-Tard CST Transaction, and (v) corporate presence in Montréal. The CST Brands Canada Acquisition is conditional upon closing of the Couche-Tard CST Transaction, among other conditions. Parkland is in the process of assessing the purchase price allocation of the CST Brands Canada Acquisition. The preliminary purchase price is subject to change and will be finalized upon completion of customary post-closing activities. The CST Brands Canada Acquisition is expected to extend Parkland's network coverage in Quebec and Atlantic Canada and enhance Parkland's presence in Ontario.

(d) Other information

Acquisition costs are recognized as an expense in marketing, general and administrative expenses within acquisition, integration and other costs. Other costs incurred during the year ended December 31, 2016 primarily consist of restructuring related expenses.

For the years ended	**December 31, 2016**	December 31, 2015
Acquisition costs	**26.6**	18.1
Integration costs	**4.2**	4.9
Other costs	**1.6**	4.9
Acquisition, integration and other costs	**32.4**	27.9

($ millions, unless otherwise stated)

20. INCOME TAXES

(a) Income tax expense

For the years ended	December 31, 2016	December 31, 2015
Current tax:		
Tax on earnings for the year	**21.7**	24.5
Adjustments in respect of prior years	**14.5**	3.0
Current income tax expense	**36.2**	27.5
Deferred tax:		
Origination and reversal of temporary differences	**1.0**	(7.3)
Adjustments in respect of prior years	**(17.4)**	0.1
Deferred income tax recovery	**(16.4)**	(7.2)
Income tax expense	**19.8**	20.3

Income tax expense reflects an effective tax rate that differs from the statutory tax rate. A reconciliation of the difference between income tax expense and earnings before income taxes, multiplied by Parkland's Canadian statutory tax rate is as follows:

For the years ended	December 31, 2016	December 31, 2015
Canada	**76.0**	61.6
United States	**(9.0)**	(1.8)
Earnings before income taxes	**67.0**	59.8
Canadian statutory tax rate	**27.0%**	26.3%
Tax calculated at statutory Canadian tax rate	**18.1**	15.7
Tax effects of:		
Non-taxable portion of gain on sale of property, plant and equipment	**0.1**	-
Non-taxable portion of loss on foreign exchange	**(0.9)**	-
Non-deductible expenses	**4.7**	3.7
Effect of foreign tax rate differential	**(1.1)**	(0.2)
Adjustments in respect of prior years	**(2.9)**	3.1
Effect of rate changes	**-**	(2.1)
Deferred tax asset not recognized	**1.3**	-
Other items	**0.5**	0.1
Income tax expense	**19.8**	20.3

The increase in the Canadian statutory tax rate was primarily due to an increase in the Alberta statutory corporate income tax rate from 10% to 12%, effective July 1, 2015.

(b) Deferred income taxes

	December 31, 2016	December 31, 2015[i]
Deferred tax assets	**41.5**	35.2
Deferred tax liabilities	**(23.5)**	(34.0)
Net deferred tax assets	**18.0**	1.2

[i] Certain comparative figures have been revised. See Note 19 – Business Combinations.

As at December 31, 2016, deferred tax assets of $10.8 (2015 – $0.4) and no deferred tax liabilities (2015 – nil) are expected to reverse during the next 12 months.

($ millions, unless otherwise stated)

The movement in the deferred income tax account is as follows:

	2016	2015(i)
Net deferred tax assets (liabilities), as at January 1	**1.2**	(20.0)
Acquisition of multiple businesses (Note 19)	**(0.3)**	0.2
Acquisition of Pioneer Energy (Note 19)	**-**	16.7
Acquisition of North Dakota service stations	**-**	0.8
Acquisition of Chevron-branded service stations	**-**	0.3
Deferred income tax recovery	**16.4**	7.2
Tax expense (benefit) in other comprehensive income (loss)	**(0.2)**	0.8
Exchange differences	**0.9**	(4.8)
Net deferred tax assets, as at December 31	**18.0**	1.2

(i) Certain comparative figures have been revised. See Note 19 – Business Combinations.

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

	Consolidated statements of comprehensive income		**Consolidated balance sheets**	
	Year ended December 31,		**December 31,**	
	2016	2015	**2016**	2015(i)
Property, plant and equipment	**(1.2)**	(5.2)	**(26.7)**	(28.2)
Intangible assets and goodwill	**(1.1)**	(4.1)	**(9.1)**	(10.2)
Deferred expenditures	**(2.0)**	1.6	**2.4**	0.4
Asset retirement obligations	**(0.2)**	(0.8)	**36.6**	36.2
Contingent liabilities	**0.2**	0.2	**1.5**	1.7
Derivatives and hedges	**(2.4)**	0.5	**0.6**	(1.8)
Unrealized foreign exchange losses	**-**	0.6	**0.3**	0.5
Loss carryforwards	**(11.4)**	(1.1)	**14.7**	3.3
Embedded derivative valuation	**(0.1)**	-	**0.1**	-
Deferred tax asset not recognized	**1.3**	-	**(1.3)**	-
Other	**0.5**	1.1	**(1.1)**	(0.7)
	(16.4)	(7.2)	**18.0**	1.2

(i) Certain comparative figures have been revised. See Note 19 – Business Combinations.

As at December 31, 2016, Parkland has capital losses that arose in Canada of $9.9 (2015 – $3.8) that are available indefinitely for offsetting against future capital gains. Deferred tax assets have not been recognized in respect of these losses, as they may not be used to offset taxable gains elsewhere in the group and there are no other tax planning opportunities or other evidence of recoverability in the near future. A valuation allowance has been taken in respect of these losses.

As at December 31, 2016, Parkland had losses available to offset income for tax purposes of $49.5 (2015 – $10.5) that expire in the next 13 to 20 years.

21. EXPENSES BY NATURE

Operating costs and marketing, general and administrative expenses include the following expenses by nature:

	Year ended December 31, 2016			Year ended December 31, 2015		
	Operating costs	**Marketing, general and administrative**	**Total**	Operating costs	Marketing, general and administrative	Total
Employee costs	**81.6**	**110.6**	**192.2**	82.2	102.7	184.9
Operating leases	**63.6**	**4.0**	**67.6**	62.0	3.6	65.6
Acquisition, integration and other costs	**-**	**32.4**	**32.4**	-	27.9	27.9
Other operating costs	**164.7**	**-**	**164.7**	137.0	-	137.0
Other marketing, general and administrative expenses	**-**	**31.2**	**31.2**	-	27.3	27.3
	309.9	**178.2**	**488.1**	281.2	161.5	442.7

($ millions, unless otherwise stated)

Other operating costs include costs for transaction processing fees, retailer fuel commissions, third-party delivery expense, property tax, insurance, maintenance and repairs. Other marketing, general and administrative expenses include general office, general liability insurance, technology, consulting, legal and audit expenses.

22. RELATED PARTY TRANSACTIONS

(a) Related parties

Parkland receives legal services at market prices from Bennett Jones LLP in the normal course of business where a partner is a director of Parkland. Expenditures incurred during the year ended December 31, 2016 were $3.3 (2015 – $4.1) and the accounts payable outstanding as at December 31, 2016 were $0.2 (2015 – $0.2).

Parkland sells fuel at market prices to a company in the normal course of business where the owner is a director of Parkland. Sales and operating revenue generated were $8.3 for the year ended December 31, 2016 (2015 – $4.9) and there was no accounts receivable balance outstanding as at December 31, 2016 (2015 – $0.4).

Parkland has receivable balances from a vendor of Pioneer Acquisition and Pioneer Fuels Inc. where the President and CEO is a director of Parkland. The receivable amount outstanding as at December 31, 2016 was $0.4 (2015 – $5.0).

(b) Key management compensation

The remuneration of Parkland key management personnel, which includes members of the Board of Directors and the leadership team, including the President and CEO, CFO and Vice Presidents, is set out below in aggregate:

For the years ended	**December 31, 2016**	December 31, 2015
Salaries and short-term employee benefits	**7.7**	6.3
Share-based payments	**4.2**	3.5
	11.9	9.8

The liability balance for the annual incentive plan and share-based compensation to key management personnel, including DSUs outstanding, as at December 31, 2016 was $6.6 (2015 – $5.5).

23. PRINCIPAL SUBSIDIARIES

Parkland had the following material wholly-owned subsidiaries as at December 31, 2016:

Name	Country of operation	Related operating segment
Parkland Industries Ltd.	Canada	Retail Fuels, Commercial Fuels and Supply and Wholesale
Sparling's Propane Co Ltd.	Canada	Commercial Fuels
SPF Energy Inc.	United States	Parkland USA
Farstad Oil Inc.	United States	Parkland USA
Superpumper Inc.	United States	Parkland USA
Elbow River Marketing Ltd.	Canada	Supply and Wholesale
Parkland Refining Ltd.	Canada	Supply and Wholesale

24. SEGMENT INFORMATION

Parkland's reportable operating segments are differentiated by the nature of their products, services, and national geographic boundaries. Parkland also reports activities not directly attributable to an operating segment under Corporate. The operations in each segment are defined as follows:

Retail Fuels
Retail Fuels operates and services a network of retail service stations that serve motorists in Canada. Parkland is a retail branded distributor for Esso in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec and Northwest Territories as well as a retail branded distributor for Chevron in British Columbia. Parkland also maintains six proprietary brands: Pioneer, Fas Gas Plus, Race Trac, On the Run / Marché Express, Snack Express, and Verve.

Commercial Fuels
Commercial Fuels delivers bulk fuel, propane, heating oil, lubricants, agricultural inputs, oilfield fluids and other related products and services to commercial, industrial and residential customers across Canada. Commercial Fuels' brands include Bluewave Energy, Columbia Fuels, Sparlings Propane, Island Petroleum, and Propane Nord-Ouest.

Parkland USA
Parkland USA operates and services a network of retail service stations in the United States. In addition, Parkland USA delivers gasoline, distillates, propane and lubricating oils across the Northwestern United States. Brands operated by Parkland USA include SPF Energy, Farstad Oil, and Superpumper.

Supply and Wholesale
Supply and Wholesale is responsible for managing Parkland's fuel supply contracts, purchasing fuel from refiners, distribution through third-party rail and highway carriers, and serving wholesale and reseller customers. This segment includes profits from Elbow River Marketing derived through supply management and from wholesale fuel sales.

General information
Intersegment sales are accounted for at market value and include, for segment reporting, sales and operating revenue of the segment making the transfer as well as expenses of the segment receiving the transfer. Intersegment transactions are eliminated upon consolidation. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Depreciation and amortization, finance costs, gain or loss on disposal of property, plant and equipment, acquisition-related costs, unrealized gain or loss from the change in fair value commodities swaps and forward contracts, futures contracts and US dollar forward exchange contracts included in risk management activities, unrealized gain or loss on foreign exchange, and income taxes are not allocated to segments because they are not reviewed as part of segment information by the chief operating decision maker. Accordingly, there are certain asymmetries in the allocation of earnings to segments with respect to these items.

The segregation of total assets and total liabilities is not practical, as the balance sheets of the reportable segments are not presented to or reviewed by the chief operating decision maker.

Segment information	Retail Fuels		Commercial Fuels		Parkland USA		Supply and Wholesale		Corporate		Consolidated	
For the year ended December 31,	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Fuel and petroleum product volume (millions of litres)[1]	**3,716.8**	2,752.3	**1,375.7**	1,405.7	**912.0**	1,056.3	**4,410.7**	4,399.1	**-**	-	**10,415.2**	9,613.4
Sales and operating revenue												
Fuel and petroleum product revenue	**2,554.8**	2,058.4	**850.1**	982.8	**476.5**	642.2	**7,119.5**	5,194.1	**-**	-	**11,000.9**	8,877.5
Non-fuel revenue	**196.8**	105.9	**214.5**	231.5	**109.7**	110.3	**68.5**	64.5	**0.5**	0.5	**590.0**	512.7
Total sales and operating revenue – external and intersegmental	**2,751.6**	2,164.3	**1,064.6**	1,214.3	**586.2**	752.5	**7,188.0**	5,258.6	**0.5**	0.5	**11,590.9**	9,390.2
Less: Intersegment revenue	**-**	-	**(0.7)**	-	**-**	-	**(5,324.2)**	(3,090.6)	**-**	-	**(5,324.9)**	(3,090.6)
Sales and operating revenue	**2,751.6**	2,164.3	**1,063.9**	1,214.3	**586.2**	752.5	**1,863.8**	2,168.0	**0.5**	0.5	**6,266.0**	6,299.6
Cost of goods sold, excluding depreciation												
Fuel and petroleum product cost of goods sold	**2,351.1**	1,913.9	**697.5**	822.6	**444.9**	606.5	**6,937.6**	5,042.3	**-**	-	**10,431.1**	8,385.3
Non-fuel cost of goods sold	**140.6**	69.5	**170.7**	181.5	**77.9**	79.1	**53.8**	48.3	**0.1**	(0.1)	**443.1**	378.3
Total cost of goods sold, excluding depreciation – external and intersegmental	**2,491.7**	1,983.4	**868.2**	1,004.1	**522.8**	685.6	**6,991.4**	5,090.6	**0.1**	(0.1)	**10,874.2**	8,763.6
Less: Intersegment cost of goods sold	**-**	-	**(0.7)**	-	**-**	-	**(5,324.2)**	(3,090.6)	**-**	-	**(5,324.9)**	(3,090.6)
Cost of goods sold, excluding depreciation	**2,491.7**	1,983.4	**867.5**	1,004.1	**522.8**	685.6	**1,667.2**	2,000.0	**0.1**	(0.1)	**5,549.3**	5,673.0
Adjusted gross profit												
Fuel and petroleum product adjusted gross profit (before risk management)	**203.7**	144.5	**152.6**	160.2	**31.6**	35.7	**181.9**	151.8	**-**	-	**569.8**	492.2
Realized loss on risk management activities	**-**	-	**-**	(0.1)	**-**	-	**(8.2)**	(3.0)	**-**	-	**(8.2)**	(3.1)
Realized gain (loss) on foreign exchange	**-**	-	**(0.1)**	-	**-**	-	**(0.6)**	4.5	**(0.1)**	(0.5)	**(0.8)**	4.0
Fuel and petroleum product adjusted gross profit (loss)	**203.7**	144.5	**152.5**	160.1	**31.6**	35.7	**173.1**	153.3	**(0.1)**	(0.5)	**560.8**	493.1
Non-fuel adjusted gross profit	**56.2**	36.4	**43.8**	50.0	**31.8**	31.2	**14.7**	16.2	**0.4**	0.6	**146.9**	134.4
Total adjusted gross profit	**259.9**	180.9	**196.3**	210.1	**63.4**	66.9	**187.8**	169.5	**0.3**	0.1	**707.7**	627.5
Customer finance income	**(0.1)**	(0.1)	**(1.3)**	(1.7)	**(0.1)**	(0.2)	**-**	(0.1)	**-**	(0.3)	**(1.5)**	(2.4)
Operating costs	**97.1**	61.5	**123.5**	127.5	**40.5**	39.6	**48.8**	52.6	**-**	-	**309.9**	281.2
Marketing, general and administrative	**24.1**	19.5	**24.9**	23.3	**7.6**	7.4	**42.3**	39.6	**79.3**	71.7	**178.2**	161.5
Less: Acquisition, integration and other costs	**-**	-	**-**	-	**-**	-	**-**	-	**(32.4)**	(27.9)	**(32.4)**	(27.9)
Adjusted EBITDA	**138.8**	100.0	**49.2**	61.0	**15.4**	20.1	**96.7**	77.4	**(46.6)**	(43.4)	**253.5**	215.1
Depreciation and amortization									**102.9**	92.9	**102.9**	92.9
Finance costs									**40.2**	34.9	**40.2**	34.9
Loss on disposal of property, plant and equipment									**1.0**	1.3	**1.0**	1.3
Acquisition, integration and other costs									**32.4**	27.9	**32.4**	27.9
Unrealized loss (gain) from the change in fair value of commodities swaps and forward contracts, US dollar forward exchange contracts and futures contracts									**8.9**	(1.5)	**8.9**	(1.5)
Unrealized loss (gain) on foreign exchange									**1.1**	(0.2)	**1.1**	(0.2)
Income tax expense									**19.8**	20.3	**19.8**	20.3
Net earnings											**47.2**	39.5
Additions to property, plant and equipment and intangible assets	**45.6**	36.6	**36.8**	17.2	**7.3**	10.1	**7.0**	6.3	**6.0**	2.8	**102.7**	73.0
Acquisitions of property, plant and equipment, intangible assets and goodwill	**13.7**	496.3	**48.5**	0.5	**22.3**	30.0	**-**	0.9	**-**	-	**84.5**	527.7

[1] Information on fuel and petroleum product volume is unaudited.

($ millions, unless otherwise stated)

Geographic information

For the years ended	December 31, 2016	December 31, 2015
Revenue from external customers – Canada	**5,679.8**	5,547.0
Revenue from external customers – United States	**586.2**	752.6
Sales and operating revenue	**6,266.0**	6,299.6

	December 31, 2016		
	Canada	**United States**	**Consolidated**
Property, plant and equipment	**480.6**	**73.4**	**554.0**
Intangible assets	**158.5**	**45.1**	**203.6**
Goodwill	**499.4**	**61.0**	**560.4**
Total	**1,138.5**	**179.5**	**1,318.0**

	December 31, 2015		
	Canada	United States	Consolidated
Property, plant and equipment	438.7	61.2	499.9
Intangible assets	139.3	53.3	192.6
Goodwill	485.1	55.4	540.5
Total	1,063.1	169.9	1,233.0

25. CONTINGENCIES AND COMMITMENTS

(a) Legal

Parkland is involved in various legal claims and legal proceedings arising from the ordinary course of business. Although the outcome of such matters cannot be predicted with certainty, management does not consider Parkland's exposure to litigation to be material to these consolidated financial statements.

(b) Commitments

Operating leases

	Less than one year	Years 2 and 3	Years 4 and 5	Thereafter	Total
Obligations under operating leases	**45.8**	**63.3**	**22.7**	**48.9**	**180.7**

Property, plant and equipment

Contractual commitments for the acquisition of property, plant and equipment as at December 31, 2016 were $3.5 (2015 – $8.4).

Fuel and petroleum products

Parkland has entered into various purchase agreements that require it to purchase minimum amounts or quantities of fuel and petroleum products over certain time periods. Parkland has generally exceeded such minimum requirements in the past and expects to continue doing so for the foreseeable future. Failure to satisfy the minimum purchase requirements could result in the termination of the contracts, change in pricing of products and payments to the applicable suppliers of a predetermined amount of the commitments.

Parkland Fuel Corporation

Unaudited segment information
For the three months ended December 31, 2016 and 2015

($ millions, unless otherwise stated)

Segment information (unaudited)	**Retail Fuels**		**Commercial Fuels**		**Parkland USA**		**Supply and Wholesale**		**Corporate**		**Consolidated**	
For the three months ended December 31,	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Fuel and petroleum product volume (millions of litres)	**935.9**	912.0	**381.0**	342.5	**218.0**	236.6	**1,248.5**	1,122.8	**-**	-	**2,783.4**	2,613.9
Sales and operating revenue												
Fuel and petroleum product revenue	**676.8**	640.2	**248.9**	223.7	**125.7**	138.5	**2,024.1**	1,261.1	**-**	-	**3,075.5**	2,263.5
Non-fuel revenue	**48.9**	45.5	**54.4**	61.0	**26.7**	29.1	**17.0**	17.1	**0.1**	0.1	**147.1**	152.8
Total sales and operating revenue – external and intersegmental	**725.7**	685.7	**303.3**	284.7	**152.4**	167.6	**2,041.1**	1,278.2	**0.1**	0.1	**3,222.6**	2,416.3
Less: Intersegment revenue	**-**	-	**(0.2)**	-	**-**	-	**(1,482.4)**	(760.5)	**-**	-	**(1,482.6)**	(760.5)
Sales and operating revenue	**725.7**	685.7	**303.1**	284.7	**152.4**	167.6	**558.7**	517.7	**0.1**	0.1	**1,740.0**	1,655.8
Cost of goods sold, excluding depreciation												
Fuel and petroleum product cost of goods sold	**626.4**	593.9	**205.1**	184.0	**117.8**	130.3	**1,959.0**	1,212.9	**-**	-	**2,908.3**	2,121.1
Non-fuel cost of goods sold	**34.4**	32.7	**43.2**	48.6	**18.7**	20.5	**13.8**	12.5	**0.2**	(0.1)	**110.3**	114.2
Total cost of goods sold, excluding depreciation – external and intersegmental	**660.8**	626.6	**248.3**	232.6	**136.5**	150.8	**1,972.8**	1,225.4	**0.2**	(0.1)	**3,018.6**	2,235.3
Less: Intersegment cost of goods sold	**-**	-	**(0.2)**	-	**-**	-	**(1,482.4)**	(760.5)	**-**	-	**(1,482.6)**	(760.5)
Cost of goods sold, excluding depreciation	**660.8**	626.6	**248.1**	232.6	**136.5**	150.8	**490.4**	464.9	**0.2**	(0.1)	**1,536.0**	1,474.8
Adjusted gross profit												
Fuel and petroleum product adjusted gross profit (before risk management)	**50.4**	46.3	**43.8**	39.7	**7.9**	8.2	**65.1**	48.2	**-**	-	**167.2**	142.4
Realized loss on risk management activities	**-**	-	**-**	(0.1)	**-**	-	**(6.4)**	-	**-**	-	**(6.4)**	(0.1)
Realized gain (loss) on foreign exchange	**-**	-	**(0.1)**	-	**-**	-	**(0.2)**	1.5	**(0.1)**	(0.1)	**(0.4)**	1.4
Fuel and petroleum product adjusted gross profit (loss)	**50.4**	46.3	**43.7**	39.6	**7.9**	8.2	**58.5**	49.7	**(0.1)**	(0.1)	**160.4**	143.7
Non-fuel adjusted gross profit (loss)	**14.5**	12.8	**11.2**	12.4	**8.0**	8.6	**3.2**	4.6	**(0.1)**	0.2	**36.8**	38.6
Total adjusted gross profit (loss)	**64.9**	59.1	**54.9**	52.0	**15.9**	16.8	**61.7**	54.3	**(0.2)**	0.1	**197.2**	182.3
Customer finance income	**-**	-	**(0.4)**	(0.7)	**-**	-	**-**	-	**-**	-	**(0.4)**	(0.7)
Operating costs	**25.1**	23.6	**33.3**	31.9	**9.7**	10.8	**13.8**	14.1	**-**	-	**81.9**	80.4
Marketing, general and administrative	**6.4**	6.4	**6.3**	5.8	**2.0**	1.9	**14.0**	12.2	**23.9**	18.4	**52.6**	44.7
Less: Acquisition, integration and other costs	**-**	-	**-**	-	**-**	-	**-**	-	**(14.0)**	(6.9)	**(14.0)**	(6.9)
Adjusted EBITDA	**33.4**	29.1	**15.7**	15.0	**4.2**	4.1	**33.9**	28.0	**(10.1)**	(11.4)	**77.1**	64.8
Depreciation and amortization									**20.0**	29.0	**20.0**	29.0
Finance costs									**27.2**	9.1	**27.2**	9.1
Loss on disposal of property, plant and equipment									**1.2**	1.1	**1.2**	1.1
Acquisition, integration and other costs									**14.0**	6.9	**14.0**	6.9
Unrealized loss (gain) from the change in fair value of commodities swaps and forward contracts, US dollar forward exchange contracts and futures contracts									**5.4**	(3.8)	**5.4**	(3.8)
Unrealized loss on foreign exchange									**0.1**	0.7	**0.1**	0.7
Income tax expense									**6.2**	6.2	**6.2**	6.2
Net earnings											**3.0**	15.6
Additions to property, plant and equipment and intangible assets	**14.9**	16.4	**10.8**	6.4	**1.6**	5.5	**2.4**	1.8	**3.1**	0.6	**32.8**	30.7
Acquisitions of property, plant and equipment, intangible assets and goodwill	**9.9**	-	**19.4**	0.5	**22.3**	12.8	**-**	-	**-**	-	**51.6**	13.3