Parkland Fuel Corporation
Consolidated Financial Statements
For the year ended December 31, 2019

PARKLAND

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 consolidated financial statements.

In preparation of these consolidated financial 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 consolidated financial statements.

Management is responsible for the reliability and integrity of the consolidated financial statements, the notes to the consolidated financial statements and other financial information contained in this report. In order to ensure that management fulfils 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 consolidated financial statements and to recommend approval of the consolidated 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) "Darren R. Smart"

Darren R. Smart
Interim Chief Financial Officer

March 5, 2020

Independent auditor's report

To the Shareholders of Parkland Fuel Corporation

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Parkland Fuel Corporation and its subsidiaries (together, the Company) as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated balance sheets as at December 31, 2019 and 2018;
- the consolidated statements of income for the years then ended
- the consolidated statements of comprehensive income for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is John M. Williamson.

(signed) "PricewaterhouseCoopers LLP"

PricewaterhouseCoopers LLP
Chartered Professional Accountants
Calgary, Alberta, Canada

March 5, 2020

Parkland Fuel Corporation
Consolidated Balance Sheets

($ millions)	Note	**December 31, 2019**	December 31, 2018
Assets			
Current assets			
Cash and cash equivalents		**244**	40
Restricted cash		**13**	—
Accounts receivable	5	**1,083**	665
Inventories	6	**780**	389
Risk management and other derivatives	13	**25**	40
Prepaid expenses and other		**59**	43
		2,204	1,177
Property, plant and equipment	7	**3,747**	2,267
Intangible assets	9	**965**	714
Goodwill	10	**1,811**	1,305
Long-term receivables		**88**	58
Other long-term assets	11	**301**	39
Deferred tax assets	24	**167**	101
		9,283	5,661
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**1,358**	806
Dividends declared and payable		**15**	14
Income taxes payable		**52**	—
Long-term debt – current portion	12	**115**	4
Provisions and other liabilities – current portion	16	**345**	279
Risk management and other derivatives	13	**11**	7
		1,896	1,110
Long-term debt	12	**3,823**	2,259
Provisions and other liabilities	16	**956**	323
Deferred tax liabilities	24	**299**	168
		6,974	3,860
Shareholders' equity			
Shareholders' capital	17	**2,382**	1,886
Contributed surplus		**27**	18
Accumulated other comprehensive income (loss)		**(10)**	49
Sol Put Option reserve	16	**(494)**	—
Retained earnings (deficit)		**53**	(152)
Non-controlling interest ("NCI")	18	**351**	—
		2,309	1,801
		9,283	5,661

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
March 5, 2020

(signed) "Deborah Stein"

Deborah Stein
Chairman of the Audit Committee

Parkland Fuel Corporation

Consolidated Statements of Income

For the years ended ($ millions, unless otherwise stated)	Note	**December 31, 2019**	December 31, 2018
Sales and operating revenue	26	**18,453**	14,442
Expenses			
Cost of purchases		**15,617**	12,425
Operating costs		**1,043**	815
Marketing, general and administrative	20	**448**	293
Acquisition, integration and other costs	19	**91**	77
Depreciation and amortization	7, 9	**580**	301
Finance costs	22	**260**	147
Foreign exchange (gain) loss	13	**(32)**	43
(Gain) loss on asset disposals		**3**	23
(Gain) loss on risk management and other derivatives	13	**5**	17
Other (gains) and losses	23	**(87)**	24
Other income	21	**(22)**	—
Earnings before income taxes		**547**	277
Income tax (recovery) expense	24	**133**	71
Net earnings		**414**	206
Net earnings attributable to:			
Parkland		**382**	206
NCI	18	**32**	—
Net earnings per share ($ per share)	4		
Basic		**2.60**	1.56
Diluted		**2.55**	1.53
Weighted average number of common shares (000's of shares)	4	**146,890**	132,378
Weighted average number of common shares adjusted for the effects of dilution (000's of shares)	4	**149,685**	135,061

See accompanying notes to the consolidated financial statements.

Parkland Fuel Corporation

Consolidated Statements of Comprehensive Income

For the years ended ($ millions)	Note	**December 31, 2019**	December 31, 2018
Net earnings		**414**	206
Other comprehensive income (loss):			
Items that may be reclassified to consolidated statements of income in subsequent periods:			
Exchange differences on translation of foreign operations		**(54)**	16
Exchange differences on USD-denominated debt designated as a hedge of the net investment in foreign operations ("Net Investment Hedge"), net of tax	12	**10**	—
Gain on Sol Transaction Hedge	13	**–**	26
Other comprehensive income (loss)		**(44)**	42
Total comprehensive income		**370**	248
Total comprehensive income attributable to:			
Parkland		**349**	248
NCI	18	**21**	—

See accompanying notes to the consolidated financial statements.

Parkland Fuel Corporation

Consolidated Statements of Changes in Shareholders' Equity

($ millions)	Note	Shareholders' capital	Contributed surplus	Accumulated other comprehensive income (loss)	Sol Put Option reserve	Retained earnings (deficit)	NCI	Total shareholders' equity
As at January 1, 2019		**1,886**	**18**	**49**	–	**(152)**	–	**1,801**
Net earnings		–	–	–	–	**382**	**32**	**414**
Other comprehensive income (loss)		–	–	**(33)**	–	–	**(11)**	**(44)**
NCI acquired on Sol Transaction	19	–	–	–	–	–	**414**	**414**
Shares issued on Sol Transaction	19	**423**	–	–	–	–	–	**423**
Dividends	17	–	–	–	–	**(177)**	**(84)**	**(261)**
Share incentive compensation	17	–	**19**	–	–	–	–	**19**
Issued under dividend reinvestment plan, net of costs	17	**62**	–	–	–	–	–	**62**
Issued under share option plan	17	**12**	**(1)**	–	–	–	–	**11**
Issued on vesting of restricted share units	17	**(1)**	**(9)**	–	–	–	–	**(10)**
Sol Put Option	16	–	–	–	**(494)**	–	–	**(494)**
Reclassification of net gain on Sol Transaction Hedge	13	–	–	**(26)**	–	–	–	**(26)**
As at December 31, 2019		**2,382**	**27**	**(10)**	**(494)**	**53**	**351**	**2,309**
As at January 1, 2018		1,816	21	7	–	(199)	–	1,645
Net earnings		–	–	–	–	206	–	206
Other comprehensive income (loss)		–	–	42	–	–	–	42
Dividends	17	–	–	–	–	(159)	–	(159)
Share incentive compensation	17	–	6	–	–	–	–	6
Issued under dividend reinvestment plan, net of costs	17	55	–	–	–	–	–	55
Issued under share option plan	17	15	(1)	–	–	–	–	14
Issued on vesting of restricted share units	17	2	(8)	–	–	–	–	(6)
Share cancellation	17	(2)	–	–	–	–	–	(2)
As at December 31, 2018		1,886	18	49	–	(152)	–	1,801

See accompanying notes to the consolidated financial statements.

Parkland Fuel Corporation

Consolidated Statements of Cash Flows

For the years ended ($ millions)	Note	**December 31, 2019**	December 31, 2018
Operating activities			
Net earnings		**414**	206
Adjustments for:			
Depreciation and amortization		**580**	301
(Gain) loss on asset disposals		**–**	23
Share incentive compensation		**23**	13
Change in risk management and other derivatives		**(8)**	3
Change in other liabilities and other assets		**49**	(43)
Change in fair value of Redemption Options	23	**(91)**	24
Change in value of Sol Put Option	16	**6**	—
Deferred tax (recovery) expense	24	**(60)**	(10)
Share of earnings from investment in associate	11	**(8)**	—
Other operating activities		**(12)**	55
Net change in non-cash working capital related to operating activities	15	**4**	(111)
Cash generated from operating activities		**897**	461
Financing activities			
Net proceeds from (repayments of) the Credit Facility	15	**542**	(749)
Long-term debt repayments, excluding the Credit Facility	15	**(47)**	(3)
Proceeds from long-term debt, net of financing costs, excluding the Credit Facility		**663**	948
Payments on principal amount on leases	8	**(117)**	—
Change in provisions and other liabilities		**36**	(59)
Dividends paid to shareholders, net of dividend reinvestment plan		**(114)**	(102)
Dividends paid to non-controlling interest		**(84)**	—
Shares issued for cash, net of share issuance costs		**–**	14
Cash generated from financing activities		**879**	49
Investing activities			
Sol Transaction, net of Sol Transaction Hedge and cash assumed	19	**(948)**	—
USA Acquisitions	19	**(101)**	(220)
Chevron Acquisition		**–**	26
Dividends received from investment in associate, net of contributions	11	**4**	—
Expenditures on property, plant and equipment and intangible assets		**(489)**	(285)
Change in long-term receivables and other long-term assets		**(34)**	(18)
Proceeds on asset disposals		**21**	3
Cash used in investing activities		**(1,547)**	(494)
Increase in net cash		**229**	16
Impact of foreign currency translation on cash		**(12)**	1
Net cash at beginning of year		**40**	23
Net cash at end of year		**257**	40
Represented by:			
Cash and cash equivalents		**244**	40
Restricted cash		**13**	—
Net cash		**257**	40
Supplementary cash flow information:			
Interest paid		**205**	111
Interest received		**(3)**	(3)
Income taxes paid		**155**	64

See accompanying notes to the consolidated financial statements.

1. CORPORATE INFORMATION

Parkland Fuel Corporation ("Parkland") is an independent marketer, distributor and refiner of fuel and petroleum products and a convenience retailer. Parkland delivers refined fuels, propane and other high-quality petroleum products to motorists, businesses, consumers and wholesale customers across the Americas. Parkland exists under the Business Corporations Act (Alberta) in Canada and its corporate office is located at Suite 1800, 240 4 Ave SW, Calgary, Alberta, T2P 4H4, Canada. The consolidated financial statements include the accounts of Parkland and its subsidiaries and any investments in associates and joint arrangements as at December 31, 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Parkland's consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These consolidated financial statements were approved for issue by the Board of Directors on March 5, 2020.

(a) Basis of measurement

Parkland's consolidated financial statements are 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.

The following items within consolidated statements of income, consolidated balance sheets, and the consolidated statements of cash flows were reclassified to conform to the current year's presentation as a result of changes in materiality:

- change in fair value of Redemption Options, which was formerly included in finance costs, is now included in other (gains) and losses;
- asset retirement obligations, which were formerly presented separately, are now included in provision and other liabilities; and
- net repayments or proceeds from the Credit Facility, which were formerly included in the proceeds from long-term debt, net of financing costs or long-term debt repayments, as applicable, are now presented separately.

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Parkland and its subsidiaries. Subsidiaries are all entities over which Parkland has control. Control is achieved when Parkland is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. 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 de-consolidated from the date control ceases.

Non-controlling interest ("NCI") represents the portion of equity ownership in subsidiaries not attributable to Parkland shareholders. NCI is initially measured as the proportionate share of its interest in the acquiree's identifiable net assets as at the date of acquisition and subsequently adjusted for the proportionate share of net earnings and other comprehensive income (loss) attributable to the NCI, as well as any dividends or distributions paid to the NCI.

(d) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. Goodwill is measured at cost, being the difference between the acquisition date fair value of consideration transferred, including the recognized amount of any non-controlling interest in the acquiree over the net fair value amount of the identifiable assets acquired and the 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 group of CGUs ("CGU group") expected to benefit from the business combination.

The fair values of property, plant and equipment recognized as a result of a business combination are based on either the cost approach or market approach, as applicable. Under the cost approach, the current replacement cost or reproduction cost for each major asset is calculated. Under the market approach, the market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties each act knowledgeably and willingly.

The fair values of banners and trademarks acquired in a business combination are determined using an income approach. The fair values of franchise agreements and other intangible assets, such as customer relationships, are determined using an income approach or multi-period excess earnings approach. This method is based on the discounted cash flows expected to be derived from ownership of the assets. The present value of the cash flows represents the value of the intangible asset. The fair value of off-market leases acquired in a business combination is determined based on the present value of the difference between market rates and rates in the existing leases.

The fair values of inventories acquired in a business combination are determined based on the estimated selling price in the ordinary course of business less the estimated costs of sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

Acquisition-related costs are expensed as incurred and are included in acquisition, integration and other costs.

(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 currency at the exchange rate at the consolidated balance sheet date. Foreign exchange gains and losses are recorded in the consolidated statements of income. Non-monetary assets 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) Joint arrangements

Joint arrangements represent activities where Parkland has joint control established by a contractual agreement. Joint control requires unanimous consent for financial and operational decisions. A joint arrangement can be classified as either a joint operation or a joint venture. Classification of a joint arrangement requires judgment. In determining classification, Parkland considers the legal structure of the joint arrangement and whether the contractual rights and obligations of the arrangement give Parkland direct rights to the assets and obligations for the liabilities within the normal course of business.

Where Parkland has rights to the assets and obligations for the liabilities of a joint arrangement, such arrangements are classified as a joint operation with Parkland's share of the assets, liabilities, revenue and expenses included in the consolidated financial statements.

Where Parkland has rights to the net assets of an arrangement, the arrangement is classified as a joint venture and accounted for using the equity method of accounting. Under the equity method, Parkland's initial investment is recognized at cost and subsequently adjusted for Parkland's share of the joint venture's net income or loss, less distributions received.

(g) Investments in associates

An associate is an entity for which Parkland has significant influence and thereby has the power to participate in the financial and operational decisions but does not control or jointly control the investee. Investments in associates are accounted for using the equity method of accounting and are recognized at cost and subsequently adjusted for the proportionate share of the investee's net assets. Parkland's consolidated financial statements include its share of the investee's net earnings and other comprehensive income (loss) until the date that significant influence ceases. Dividends received or receivable from associates are recognized as a reduction in the carrying amount of the investment.

(h) Operating segments

An operating segment is a component of Parkland for which discrete financial information is available and 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.

(i) 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 is pledged as collateral or guarantees for certain of Parkland's projects, obligations, and agreements. Cash held in escrow is cash that is held by independent escrow agents to fund future acquisitions but restricted by certain release conditions.

(j) 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. The cost of inventories includes all costs incurred in the normal course of business to bring each product to its present location and condition. 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. If the carrying amount exceeds the net realizable value, a write-down is recognized.

(k) Emission credits and allowances

Emission credits and allowances purchased for use by Parkland are recorded at cost and are carried at the lower of cost and net realizable value in inventories. Credits granted to or internally generated by Parkland are recorded at nominal value. Emission liabilities are recorded using the best estimate of the amount required by Parkland to settle its obligation and are recorded in the period in which the emissions occur.

Emission credits and allowances that are held for trading and meet the definition of a derivative are accounted for using the fair value method of accounting in risk management and other derivatives. Realized and unrealized gains and losses are included in net earnings as gain or loss on risk management and other derivatives.

(l) Cost of purchases

Cost of purchases consists primarily of costs to purchase fuel and petroleum products as well as non-fuel products. In addition, transportation costs, excise taxes, emission credits and allowances, gains and losses on Intermediation Facility Derivatives (see Note 16), and miscellaneous materials are included.

(m) 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, turnarounds, 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.

Planned major maintenance includes inspection, repair, and maintenance of existing components, and the replacement of existing components and is performed at regular intervals. Costs incurred for planned major maintenance activities are capitalized in the period maintenance activities occur and are amortized on a straight-line basis over the term until the next major maintenance event. All other repair and maintenance costs are recognized in the consolidated statements of income as incurred.

Land is recorded at cost, less any accumulated impairment.

($ millions, unless otherwise stated)

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

Land	Not depreciated
Land improvements	20 to 25 years
Buildings and structures	15 to 50 years
Plant and equipment	3 to 35 years

The estimated useful lives and depreciation methods are reviewed annually and adjusted prospectively as appropriate. Any gain or loss arising on derecognition of property, plant and equipment is recognized in the consolidated statements of income within gain or loss on asset disposals.

(n) Leases

Under IAS 17 - Leases ("IAS 17"), 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's fair value and the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability 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.

(o) Intangible assets

Intangible assets are carried at historical cost, net of accumulated amortization and accumulated impairment losses, if any. Historical cost includes expenditures directly attributable to the acquisition of assets. 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 within 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 20 years
Trade names	5 to 30 years
Other agreements	2 to 15 years
Software systems	1 to 10 years

Any gain or loss arising on derecognition of an intangible asset is recognized in the consolidated statements of income within gain or loss on asset disposals.

(p) 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 indicators of impairment exist, Parkland estimates the asset's recoverable amount, which is the higher of the asset's fair value less costs of disposal and its value in use. In determining fair value less costs of disposal, an earnings multiple approach and recent market transactions are considered. If no such multiples or transactions can be identified, another 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.

An impairment loss is allocated to first reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of other assets in the CGU. Impairment losses, excluding goodwill impairments, are assessed at each reporting date for any indicators the impairment losses may no longer exist. If such indication is present, the carrying amount of the CGU or non-financial asset is increased to its revised recoverable amount, which cannot exceed the carrying amount determined, net of depreciation and amortization, had no impairment been recognized. Impairment losses, if any, are recognized in the consolidated statements of income within gain or loss on asset disposals.

(q) Provisions

Provisions are recognized when Parkland has a present legal or constructive obligation due to 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 the 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. Certain of Parkland's ARO provisions are based on legal obligations to perform remediation activity at the Burnaby Refinery once it permanently ceases refinery operations.

(r) 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 based on 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, based on the 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.

(s) 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 officers and employees. Parkland may issue share option 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 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 officers and employees. The units are awarded 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 ("TSX") 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 TSX, and changes in the fair value of the outstanding DSU liability, including deemed dividend equivalents, are recorded as an expense in the consolidated statements of income. 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.

(t) Financial instruments

Financial assets and financial liabilities, including derivatives, are recognized in the consolidated balance sheets when Parkland becomes a party to the contractual provisions of a financial instrument or non-financial derivative contract. All financial assets and financial liabilities are initially measured at fair value, net of transaction costs, except for financial instruments classified as fair value through profit or loss ("FVTPL"), where transaction costs are recognized immediately in profit or loss.

Financial assets and liabilities are classified and measured based on Parkland's business model for managing its assets and the contractual terms of the cash flows. Financial assets that meet the following conditions are subsequently measured at amortized cost: (i) assets held for the collection of contractual cash flows; and (ii) contractual cash flows that consist solely of principal and interest payments on the principal amount outstanding. All other financial assets and equity investments are subsequently measured at FVTPL. Financial liabilities are classified as FVTPL when held for trading. All other financial liabilities are subsequently measured at amortized cost.

For the year ended December 31, 2019, Parkland classified its financial instruments according to IFRS 9 - Financial Instruments ("IFRS 9") into one of the following categories:

Classification	Financial instrument
Financial instruments at fair value through profit or loss	Risk management and other derivatives
	Redemption Options
	Intermediation Facility Derivatives
	Sol Put Option
	Other instruments
Loans and receivables	Cash and cash equivalents
	Restricted cash
	Cash held in escrow
	Accounts receivable
	Long-term receivables
Financial instruments measured at amortized cost	Accounts payable and accrued liabilities
	Dividends declared and payable
	Long-term debt
	Other liabilities, excluding DSU liability

Financial instruments at FVTPL

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

Certain physical commodity contracts, when used for trading purposes, are deemed to be derivative financial instruments for accounting purposes. Physical commodity contracts entered into for the purpose of receipt or delivery in accordance with Parkland's expected purchase, sale or usage requirements are not considered to be derivative financial instruments. Intermediation Facility Derivatives (see Note 16) and risk management and other derivatives are derivative financial instruments measured at FVTPL.

Risk management and other derivative assets and liabilities include outstanding commodities swaps and forward contracts, commodities and futures contracts, emission credits and allowances, and United States (US) dollar forward exchange contracts. Parkland periodically enters into derivative contracts to manage exposure to movements in commodity prices and US dollar exchange rates.

Derivative instruments embedded in financial or non-financial contracts are liabilities that are accounted for as separate derivatives if their risks and characteristics are not closely related to their host contracts, and the contracts are not measured at fair value. Parkland's Senior Notes contain Redemption Options (see Note 13) that are accounted for as embedded derivative financial instruments. Changes in the fair values of the Redemption Options are recognized in finance costs. Changes in the fair values of other derivative instruments are recognized in (gain) loss on risk management and other derivatives. Changes in the fair value of Intermediation Facility Derivatives are recognized in cost of purchases.

The Sol Put Option represents a non-derivative financial liability, which is remeasured each reporting period with changes in redemption value of the option recorded within finance and other costs on the consolidated statements of income.

The best evidence of a financial instrument's fair value on initial recognition is normally the transaction price (i.e. fair value of the consideration given or received). If Parkland determines that the fair value on initial recognition differs from the transaction price and the fair value is neither evidenced by a quoted price in the active market for an identical asset or liability nor based on a valuation technique that only uses data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between fair value on initial recognition and the transaction price (day-one profit or loss). Subsequently, the day-one difference is recognized in profit or loss on an appropriate basis over the life of the instrument, but no later than when the transaction is closed out.

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 any provision for impairment. Accounts receivable are reduced by provisions for lifetime expected credit losses, which are determined by reference to past experience and expectations.

Financial instruments measured at amortized cost

Financial assets measured at amortized cost are initially recognized at fair value plus transaction costs, and are subsequently measured at amortized cost using the effective interest method, less any provision for impairment.

Financial liabilities measured at amortized cost are initially recognized at fair value net of transaction costs, and are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by considering 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.

Impairment of financial assets

Expected credit losses ("ECLs") and any changes at each reporting date are accounted for in the consolidated financial statements to reflect changes in credit risk since initial recognition of the financial assets. A loss allowance is required for ECLs on (i) financial assets subsequently measured at amortized cost, (ii) lease receivables, and (iii) loan commitments and financial guarantee contracts to which the impairment requirements of IFRS 9 apply.

Parkland measures its trade accounts receivable and lease receivables using the simplified approach at an amount equal to their lifetime ECL. For all other financial assets, Parkland recognizes the lifetime ECL when there is a significant increase in credit risk since initial recognition. If the credit risk on the financial asset did not increase significantly, Parkland recognizes an ECL equal to the 12-month ECL. The assessment of whether the lifetime ECL is recognized is based on significant increases in the likelihood or risk of default occurring since initial recognition and not on evidence of a financial asset being credit impaired at the reporting date, or an actual default occurring. The loss allowance for ECL is presented as a deduction from the gross carrying amount for financial assets carried at amortized cost.

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, Parkland compares the risk of a default occurring on the financial instrument as at the reporting date, with the risk of a default occurring as at the date of initial recognition. In making this assessment, Parkland considers both qualitative and quantitative information that is reasonable and supportable, including historical experience and forward-looking information, relevant industry-specific economic outlooks, and external sources of actual and forecasted economic factors related to Parkland's core operations, such as fuel commodity prices, unemployment rates and interest rates.

Where information is not available on an individual instrument level, financial assets can be grouped in a variety of ways including: the nature of the financial asset; past-due status; nature, size or industry of counterparty; or geographic location. Parkland regularly reviews groupings to ensure the constituents of each group continue to share similar credit risk characteristics and the groupings used are most relevant to Parkland's operations.

Offsetting of financial instruments

Financial assets and financial liabilities are offset against one another and the net amount is reported in the consolidated balance sheets in circumstances where 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 expires or is discharged or cancelled.

(u) Hedges

Parkland may apply hedge accounting to arrangements that qualify for designated hedge accounting treatment. Designated hedges are assessed at each reporting date to determine if the relationship between the derivative or other hedging instrument and the underlying hedged exposure is still effective and to quantify any ineffectiveness in such relationship.

Parkland may use a fair value hedge to mitigate commodity price risk. The carrying value of the hedged item is adjusted for changes in fair value attributable to the hedged risk, and these changes are recognized in the consolidated statements of income. Changes in the fair value of the hedged item, to the extent the hedging relationship is effective, are offset by changes in the fair value of the hedging item, which are also recorded in the consolidated statements of income. If hedge accounting is discontinued, the carrying value of the hedged item is no longer adjusted and the cumulative fair value adjustment to the carrying value of the hedged item is amortized to the consolidated statements of income over the remaining term of the original hedging relationship.

Parkland may enter into a cash flow hedging relationship, where the effective portion of the change in the fair value of the hedging derivative is initially recognized in other comprehensive income (loss), while any ineffective portion is recognized in the consolidated statements of income in the same financial statement category as the underlying transaction. When hedge accounting is discontinued, the amounts recognized previously in accumulated other comprehensive income (loss) are reclassified to net earnings during the period when the variability in cash flows of the hedged item affects consolidated net earnings or as the original hedged item settles. Gains and losses on derivatives are reclassified immediately to net earnings from accumulated other comprehensive income (loss) when the hedged item is sold or terminated early, or when it becomes probable that the anticipated transaction will not occur.

Parkland may use a net investment hedge to mitigate foreign exchange risk related to foreign operations. 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 of the foreign operation is lost.

(v) Fair value measurement

Parkland's financial assets and liabilities measured at FVTPL are categorized into a three-level hierarchy depending on the degree to which the inputs are observable 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); and
- Level 3 - Inputs that are not based on observable market data (unobservable inputs).

The fair values of Parkland's recurring measurements of risk management and other derivatives are determined based on Level 2 inputs. Parkland used the following techniques to value financial instruments categorized in Level 2:

- fair values of the outstanding heating oil, gasoline and refined products put and call option contracts are determined using external counterparty information, which is compared to observable data;
- fair values of commodities forward contracts, futures contracts, emission credits and allowances and US dollar forward exchange contracts are determined using independent price publications, third-party pricing services, market exchanges and investment dealer quotes;
- 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; and
- fair values of the Intermediation Facility Derivatives are determined using independent price publications, third-party pricing services and market exchanges.

The fair value of the Sol Put Option is determined based on Level 3 by discounting Sol's contractually defined trailing-twelve-month adjusted EBITDA, multiplied by 8.5, and including other adjustments as defined in the Sol Business Combination Agreement ("Sol Agreement").

(w) Revenue recognition

Fuel and petroleum product revenue

Parkland delivers a range of refined fuel and petroleum products to motorists, businesses, consumers and wholesale customers. Canada Retail and Canada Commercial contracts sell fuel and petroleum products to retail and commercial consumers where revenue is recognized at the point of sale, which is the time control of the goods has passed to the purchaser and collection is reasonably assured. Supply and wholesale contracts are typically long-term in nature and customers make monthly payments. Revenue for these sales is recognized when control of the goods passes to the customer, collection is reasonably assured and generally when physical delivery has occurred.

Revenue is measured on the stand-alone sales price specified in sales contracts, which may be based on independently published rack prices, net of discounts at the time of sale. Volume discounts are assessed using anticipated annual volumes. Historical experience is used to estimate and provide for discounts, and revenue is reduced accordingly.

Certain fuel contracts have specified annual volumes that customers must purchase over the contract duration. Contractual minimums are not enforceable and customers may purchase less than the contractual minimum with no penalties. In such cases, contracts are viewed as having options to purchase rather than fixed volume sales requirements, and the transaction price allocated to remaining unsatisfied performance obligations is not disclosed.

Non-fuel revenue

Convenience store

Parkland operates multiple convenience store brands with revenue from sales of confectionery, groceries, beverages and other convenience store products. In the case of company-owned convenience stores, revenue is recognized when a retail customer purchases an item at the convenience store and control of the goods is transferred, and payment for the transaction occurs immediately at the point of sale.

Lubricants

Parkland sells branded and private label lubricants to commercial, industrial and wholesale customers. Revenue for these sales is recognized when control of the goods passes to the customer, collection is reasonably assured, and generally when physical delivery has occurred.

Other revenue

Parkland's other revenue consists of revenue from rent, freight, tanks and parts installation, cylinder exchanges, and other products and services. Rent includes percentage rent collected from independent retailers on their convenience store sales or gross margin. Revenue on services is recognized in the accounting period in which the services are rendered.

When Parkland delivers third-party branded fuel and petroleum products as an exclusive reseller, Parkland evaluates whether it acts as a principal or agent. Where Parkland acts as an agent, revenue is reported from these transactions on a net basis, as the performance obligation is to facilitate the transportation of branded fuels from the branded suppliers to their customers, for which Parkland earns delivery fees. The portion of the gross amount billed to customers and remitted to the branded suppliers is not reflected in sales and operating revenue. Physical exchanges of inventory are reported on a net basis for similar items as are sales and purchases made with a common counterparty as part of an arrangement similar to a physical exchange.

(x) Earnings per share

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

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

(y) Assets held for sale

Assets are classified as held for sale if their carrying amount will be recovered primarily through a sale as opposed to continued use by Parkland. Assets to be disposed that meet the held for sale criteria are reported at the lower of their carrying amount and fair value less costs to sell, and are no longer depreciated. Assets classified as held for sale are reported as current assets in the consolidated balance sheets.

(z) 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 amounts 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 and other obligations

ARO represents the present value estimates of Parkland's cost to remediate sites and perform other environmental activities. Parkland applies judgment in assessing the existence, extent and expected method of remediation, decommissioning and other environmental activities required 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 consider the anticipated method and extent of remediation, technological advances, possible future uses of the site, and regulatory, environmental 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 technologies, 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 assessing whether a present obligation exists, assessing factors that may mitigate or reduce the obligation, 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 time and amount at which a contingency may 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 assumed affect the amount of goodwill recorded on an acquisition.

Asset impairment

Asset impairment tests require the allocation of assets to CGUs or CGU groups, which 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.

The assessment of whether there is any indication of impairment is performed at the end of each reporting period, and requires the application of judgment, historical experience, and use of external and internal sources of information.

Asset impairment tests may also require the estimation of the recoverable amount of the non-financial asset or the CGU group, 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 an earnings multiple approach, available data from binding sales transactions conducted at arm's length for similar assets, valuation appraisals, 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. Parkland references adjusted EBITDA forecasts and implied earnings multiples and appropriate discount rates for the recoverable amount calculations. The forecasts 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 implied multiples are determined by utilizing multiples of comparable public companies and recently completed transactions by operating segment. The recoverable amount is sensitive to adjusted EBITDA forecasts, implied earnings multiples, the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for cash flow forecasts. These estimates are most relevant to goodwill, property, plant and equipment and intangible assets recognized by Parkland.

Depreciation and amortization

Depreciation of property, plant and equipment and amortization of 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.

Fair value of financial instruments

The fair value of financial instruments is determined wherever possible based on observable market data. If not available, Parkland uses third-party models, independent price publications, market exchanges, investment dealer quotes, and valuation methodologies that utilize observable data. Actual values may significantly differ from these estimates.

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.

(aa) New and amended standards adopted and not yet adopted by Parkland

On January 1, 2019, Parkland adopted IFRS 16 - Leases ("IFRS 16"). See Note 3 for discussion on Parkland's accounting policies resulting from the adoption of IFRS 16.

Certain standards, amendments and interpretations that are issued but not yet effective as at December 31, 2019 were not early adopted and are not expected to have a material impact on Parkland's disclosure or financial position.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(a) IFRS 16 – Leases

The accounting policies under IAS 17 are disclosed separately under Note 2 if they differ from those under IFRS 16.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer (right-of-use asset). Control is considered to exist if the customer has:

- the right to obtain substantially all of the economic benefits from the use of an identified asset; and
- the right to direct the use of that asset.

On Parkland's initial adoption of IFRS 16, lease liabilities were measured at the present value of the remaining lease payments, discounted using Parkland's incremental borrowing rate as at January 1, 2019. The right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the consolidated balance sheet as at December 31, 2018. Parkland elected to use the following practical expedients permitted by the standard:

- use a single discount rate to a portfolio of leases with reasonably similar characteristics;
- rely on previous assessments on whether leases are onerous;
- by class of underlying assets, account for leases with a remaining lease term of less than twelve months on January 1, 2019 as short-term leases;
- exclude initial direct costs from the measurement of right-of-use assets;
- by class of underlying assets, elect to combine lease and non-lease components as a single lease component; and
- treat leases with an underlying asset of low dollar value as operating leases.

The adoption of IFRS 16 increases Parkland's assets and liabilities, depreciation and amortization, and finance costs, while reducing operating costs and increasing Adjusted EBITDA. While cash payments associated with operating leases were previously presented under operating activities, cash flows associated with lease payments under IFRS 16 are allocated between financing activities for the repayment of the principal liability and operating activities for the interest component. The overall impact on cash flow for Parkland remains unchanged.

Right-of-use assets are measured at cost and are comprised of the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date less any lease incentives received and any initial direct costs. Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Adoption of IFRS 16 resulted in the recording of additional right-of-use assets, net of adjustments and lease liabilities of approximately $239 and $241, respectively, as at January 1, 2019 with no impact on accumulated deficit in the consolidated statements of changes in shareholders' equity. For categories of right-of-use assets recognized, refer to Note 8. A weighted average incremental borrowing rate of 6.62% was applied to the lease liabilities as at January 1, 2019.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as operating costs or marketing, general and administrative expenses, depending on the nature of the business activities to which the leases relate. Short-term leases are leases with a lease term of twelve months or less. Low-value assets are comprised of IT equipment and small office furniture items.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. The assessment is reviewed if a significant event or change in circumstances occurs.

($ millions, unless otherwise stated)

The following reconciliation to the opening balance for the lease liabilities as at January 1, 2019 is based on the operating lease obligations as at December 31, 2018:

Reconciliation	January 1, 2019
Operating lease obligations as at December 31, 2018	320
Minimum lease payments on finance lease liabilities as at December 31, 2018	13
Relief option for short-term leases	(12)
Relief options for leases of low-value assets	–
Lease type obligations (service payments)	13
Others	(5)
Gross lease liabilities as at January 1, 2019	329
Discounting	(82)
Lease liabilities as at January 1, 2019	247
Present value of finance leases as at December 31, 2018	(6)
Additional lease liabilities as a result of the initial application of IFRS 16 as at January 1, 2019	241

The lessor accounting model remains substantially unchanged from IAS 17, maintaining the distinction between operating leases and finance leases.

(b) Impact of adopting IFRS 16 on the consolidated financial statements

The impact of IFRS 16 on the consolidated balance sheets as at December 31, 2019 is as follows:

	December 31, 2019		
	As reported	IFRS 16 Adjustment	Pre-IFRS 16
Assets			
Prepaid expenses and other	59	2	61
Property, plant and equipment	3,747	(497)	3,250
Intangible assets	965	2	967
Deferred tax assets	167	(17)	150
	4,938	(510)	4,428
Liabilities			
Long-term debt	3,938	(520)	3,418
Provisions and other liabilities	1,301	4	1,305
Deferred tax liabilities	299	(10)	289
	5,538	(526)	5,012
Shareholders' equity			
Retained earnings (deficit)	53	11	64
Non-controlling interest ("NCI")	351	5	356
	404	16	420

($ millions, unless otherwise stated)

The impact of IFRS 16 on the consolidated statements of income for the year ended December 31, 2019 is as follows:

	December 31, 2019		
	As reported	**IFRS 16 Adjustment**	**Pre-IFRS 16**
Sales and operating revenue	**18,453**	**–**	**18,453**
Expenses			
Cost of purchases	**15,617**	**66**	**15,683**
Operating costs	**1,043**	**70**	**1,113**
Marketing, general and administrative	**448**	**12**	**460**
Acquisition, integration and other costs	**91**	**–**	**91**
Depreciation and amortization	**580**	**(142)**	**438**
Finance costs	**260**	**(29)**	**231**
Foreign exchange (gain) loss	**(32)**	**–**	**(32)**
(Gain) loss on asset disposals	**3**	**–**	**3**
(Gain) loss on risk management and other derivatives	**5**	**–**	**5**
Other (gains) and losses	**(87)**	**–**	**(87)**
Other income	**(22)**	**–**	**(22)**
Earnings before income taxes	**547**	**23**	**570**
Income tax expense (recovery)	**133**	**7**	**140**
Net earnings	**414**	**16**	**430**
Net earnings attributable to:			
Parkland	**382**	**11**	**393**
NCI	**32**	**5**	**37**

The following table outlines the impact of IFRS 16 on the consolidated statements of cash flows for the year ended December 31, 2019:

	December 31, 2019		
	As reported	**IFRS 16 Adjustment**	**Pre-IFRS 16**
Cash generated from operating activities	**897**	**(117)**	**780**
Cash generated from financing activities	**879**	**117**	**996**
	1,776	**–**	**1,776**

(c) Impact of adopting IFRS 16 on segment information

The following table outlines the impact of IFRS 16 on segment information attributable to Parkland as disclosed in Note 27 of the consolidated financial statements for the year ended December 31, 2019:

	Year ended December 31, 2019		
	Adjusted EBITDA as reported[1]	**IFRS 16 Adjustment**	**Pre-IFRS 16 Amount[2]**
Supply	**658**	**(32)**	**626**
Canada Retail	**283**	**(26)**	**257**
International	**281**	**(57)**	**224**
Canada Commercial	**99**	**(7)**	**92**
USA	**56**	**(2)**	**54**
Corporate	**(112)**	**(4)**	**(116)**
Consolidated	**1,265**	**(128)**	**1,137**

[1] See Note 27 for the calculation of Adjusted EBITDA.
[2] Pre-IFRS 16 Amounts are comparable to reportable information in the comparative period, which were calculated under IAS 17.

4. NET EARNINGS PER SHARE

For the years ended	**December 31, 2019**	December 31, 2018
Net earnings attributable to Parkland	**382**	206
Weighted average number of common shares (000's of shares)	**146,890**	132,378
Effect of dilutive securities (000's of shares)	**2,795**	2,683
Weighted average number of common shares adjusted for the effects of dilution (000's of shares)	**149,685**	135,061
Net earnings per share ($ per share)		
Basic	**2.60**	1.56
Diluted	**2.55**	1.53

5. ACCOUNTS RECEIVABLE

	December 31, 2019	December 31, 2018
Trade accounts receivable	**907**	531
Miscellaneous, government and other non-trade accounts receivable	**189**	141
Allowance for doubtful accounts	**(13)**	(7)
	1,083	665

Refer to Note 13 for details on Parkland's exposure to credit and market risks as well as impairment losses for accounts receivable.

6. INVENTORIES

	December 31, 2019	December 31, 2018
Gas and diesel	**461**	130
Liquid petroleum gas	**35**	33
Other fuel and petroleum products	**142**	120
Lubricants	**82**	47
Convenience store and other non-fuel	**60**	59
	780	389

Other fuel and petroleum products include crude oil, aviation fuel, asphalt, fuel oils, gas oils, ethanol, and biodiesel. For the year ended December 31, 2019, $14,867 (2018 - $12,179) of inventories was recognized within cost of purchases. Inventory write-downs recognized within expenses for the year ended December 31, 2019 were $7 (2018 - nil).

($ millions, unless otherwise stated)

7. PROPERTY, PLANT AND EQUIPMENT

	Note	Land	Land improvements	Buildings and structures	Plant and equipment	Right-of-use assets[1]	Total
Cost							
As at December 31, 2018		**668**	**113**	**418**	**1,746**	**7**	**2,952**
IFRS 16 Adjustment	3	**–**	**–**	**–**	**–**	**239**	**239**
Adjusted balance as at January 1, 2019		**668**	**113**	**418**	**1,746**	**246**	**3,191**
Sol Transaction	19	**298**	**25**	**128**	**379**	**172**	**1,002**
Additions		**10**	**19**	**87**	**332**	**239**	**687**
2019 USA Acquisitions	19	**15**	**3**	**11**	**21**	**4**	**54**
Change in ARO costs and other acquisitions		**–**	**–**	**–**	**18**	**–**	**18**
Disposals and other adjustments		**(7)**	**(3)**	**(4)**	**(20)**	**(44)**	**(78)**
Exchange differences		**(9)**	**(2)**	**(7)**	**(18)**	**(3)**	**(39)**
As at December 31, 2019		**975**	**155**	**633**	**2,458**	**614**	**4,835**
Depreciation							
As at January 1, 2019		**–**	**27**	**92**	**564**	**2**	**685**
Depreciation		**–**	**16**	**47**	**237**	**142**	**442**
Disposals and other adjustments		**–**	**(1)**	**(1)**	**(11)**	**(15)**	**(28)**
Exchange differences		**–**	**–**	**(1)**	**(6)**	**(4)**	**(11)**
As at December 31, 2019		**–**	**42**	**137**	**784**	**125**	**1,088**
Net book value							
As at December 31, 2019		**975**	**113**	**496**	**1,674**	**489**	**3,747**

	Note	Land	Land improvements	Buildings and structures	Plant and equipment	Right-of-use assets	Total
Cost							
As at January 1, 2018		646	104	347	1,477	7	2,581
Additions		3	5	38	234	—	280
2018 USA Acquisitions	19	17	3	30	28	—	78
Change in ARO costs		—	—	—	39	—	39
Disposals and other adjustments		—	—	(1)	(39)	—	(40)
Exchange differences		2	1	4	7	—	14
As at December 31, 2018		668	113	418	1,746	7	2,952
Depreciation							
As at January 1, 2018		—	16	64	389	2	471
Depreciation		—	11	27	185	—	223
Disposals and other adjustments		—	—	—	(14)	—	(14)
Exchange differences		—	—	1	4	—	5
As at December 31, 2018		—	27	92	564	2	685
Net book value							
As at December 31, 2018		668	86	326	1,182	5	2,267

[1] The January 1, 2019 right-of use assets were adjusted to conform with IFRS 16, which replaces IAS 17 and related interpretations. Refer to Notes 3 and 8 for further information.

Included in property, plant and equipment as at December 31, 2019 are assets under construction of $354 (December 31, 2018 - $153), consisting primarily of construction and upgrades for the refinery within the Supply segment and for retail stations within the Canada Retail, USA and International segments.

($ millions, unless otherwise stated)

8. LEASES

(a) Parkland as a lessee

See Note 3 for further discussion on the adoption of IFRS 16. The right-of-use assets carried as property, plant and equipment resulting from leases are presented below:

Right-of-use assets	Note	Land, buildings and structures	Shipping vessels	Railcars	Equipment	Other	Total
Cost							
As at January 1, 2019		**187**	**–**	**37**	**4**	**18**	**246**
Sol Transaction	19	**59**	**83**	**–**	**–**	**30**	**172**
Additions		**86**	**58**	**55**	**4**	**36**	**239**
2019 USA Acquisitions		**–**	**–**	**–**	**–**	**4**	**4**
Disposals and other adjustments		**(28)**	**(15)**	**–**	**–**	**(1)**	**(44)**
Exchange differences		**2**	**(2)**	**(2)**	**–**	**(1)**	**(3)**
As at December 31, 2019		**306**	**124**	**90**	**8**	**86**	**614**
Depreciation							
As at January 1, 2019		**–**	**–**	**–**	**–**	**2**	**2**
Depreciation		**40**	**58**	**25**	**2**	**17**	**142**
Disposals and other adjustments		**(1)**	**(14)**	**–**	**–**	**–**	**(15)**
Exchange differences		**–**	**(3)**	**(1)**	**–**	**–**	**(4)**
As at December 31, 2019		**39**	**41**	**24**	**2**	**19**	**125**
Net book value							
As at December 31, 2019		**267**	**83**	**66**	**6**	**67**	**489**

(b) Amounts recognized in the consolidated statements of income

The consolidated statements of income include the following amounts relating to leases:

	December 31, 2019	December 31, 2018
Depreciation charge on right-of-use assets	**142**	—
Interest expense on lease liabilities[(1)]	**29**	1
Other lease expenses[(2)]	**90**	104
	261	105

[(1)] See Note 22.
[(2)] Other lease expenses include payments for short-term, low-value and/or variable lease payments not included in lease liabilities, but included within operating costs and marketing, general and administrative expenses on the consolidated statements of income.

($ millions, unless otherwise stated)

9. INTANGIBLE ASSETS

	Note	Customer relationships	Trade names	Other agreements	Software systems	Total
Cost						
As at December 31, 2018		**654**	**250**	**61**	**67**	**1,032**
IFRS 16 Adjustment		**–**	**–**	**(3)**	**–**	**(3)**
Adjusted balance as at January 1, 2019		**654**	**250**	**58**	**67**	**1,029**
Sol Transaction	19	**256**	**59**	**29**	**–**	**344**
Additions		**1**	**–**	**–**	**28**	**29**
2019 USA Acquisitions	19	**9**	**5**	**6**	**–**	**20**
Other Acquisitions		**–**	**–**	**10**	**–**	**10**
Exchange differences		**(11)**	**(3)**	**(1)**	**–**	**(15)**
As at December 31, 2019		**909**	**311**	**102**	**95**	**1,417**
Amortization						
As at January 1, 2019		**239**	**36**	**19**	**24**	**318**
Amortization		**80**	**18**	**19**	**16**	**133**
Exchange differences		**1**	**–**	**–**	**–**	**1**
As at December 31, 2019		**320**	**54**	**38**	**40**	**452**
Net book value						
As at December 31, 2019		**589**	**257**	**64**	**55**	**965**

	Note	Customer relationships	Trade names	Other agreements	Software systems	Total
Cost						
As at January 1, 2018		608	240	57	51	956
Additions		—	—	—	16	16
2018 USA Acquisitions	19	40	9	4	—	53
Exchange differences		6	1	—	—	7
As at December 31, 2018		654	250	61	67	1,032
Amortization						
As at January 1, 2018		185	21	13	18	237
Amortization		52	15	6	6	79
Exchange differences		2	—	—	—	2
As at December 31, 2018		239	36	19	24	318
Net book value						
As at December 31, 2018		415	214	42	43	714

10. GOODWILL

	Note	**2019**	2018
Goodwill, as at January 1		**1,305**	1,221
Sol Transaction	19	**505**	—
Rhinehart Acquisition	19	**–**	68
USA acquisitions	19	**21**	7
Other Acquisitions		**2**	—
Exchange differences		**(22)**	9
Goodwill, as at December 31		**1,811**	1,305

($ millions, unless otherwise stated)

Parkland performed its annual impairment test for goodwill and no impairment was identified. The recoverable amount for each CGU group was determined on a fair value less costs of disposal ("FVLCOD") approach (2018 - value in use ("VIU") approach).

Goodwill was allocated to CGU groups as follows:

	December 31, 2019	December 31, 2018
Supply	**141**	141
Canada Retail	**883**	883
International	**495**	—
Canada Commercial	**141**	141
USA	**151**	140
	1,811	1,305

During the year ended December 31, 2019, Parkland calculated recoverable amounts for its CGU groups for the purpose of the annual impairment test of goodwill using the FVLCOD approach as compared to the VIU approach used for the year ended December 31, 2018.

FVLCOD is calculated for each CGU group using Parkland's adjusted EBITDA forecast, implied earnings multiples and estimated costs of disposal. The adjusted EBITDA forecast at the time of the annual impairment test was determined with reference to current year results and Board-approved budget. The implied earnings multiples are determined with reference to average multiples of comparable public companies for the respective CGU group and consideration of recently completed transactions.

Parkland used average earnings multiples ranging from 7.0 to 12.5 for its CGU groups. The estimated costs of disposal were estimated as 1.5% of the transaction price and are established with reference to recently completed market transactions. The fair value calculations are categorized as Level 3 fair value based on the unobservable inputs.

The most sensitive key assumptions to the impairment model are the adjusted EBITDA forecast and implied earnings multiples. A decrease of 10% in the adjusted EBITDA forecast or the implied earnings multiples, with all other assumptions held constant, would not cause the recoverable amount of any CGU group to fall below its carrying amount.

For the year ended December 31, 2018, value in use was calculated using a five-year pre-tax cash flow projection based on Parkland's Board-approved budget for the first year and forecast for the next four years with an average growth rate of 2%. Cash flow forecasts were developed based on macroeconomic factors such as industry supply-demand fundamentals and inflation rates, as well as past experience, historical trends, weather, business, market and regional economic growth factors. Cash flows beyond the five-year period were 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 of 10.3% to 14.1% was based on the specific circumstances of Parkland and derived from its weighted average cost of capital ("WACC"). WACC is based on internal estimates that reflect past experience and management's expectation regarding activity and operating results, taking into consideration business strategy and economic trends in the market.

11. OTHER LONG-TERM ASSETS

	Note	**December 31, 2019**	December 31, 2018
Investment in associate (a)		**152**	—
Redemption Options	13	**109**	8
Long-term prepaid expenses, deposits and other assets		**40**	31
		301	39

($ millions, unless otherwise stated)

(a) Investment in associate

Société Anonyme de la Raffinerie des Antilles ("SARA Refinery")

A subsidiary of Sol Investments SEZC ("SIL", previously named as Sol Investments Limited, and with its subsidiaries, "Sol"), a non-wholly owned subsidiary of Parkland, holds a 29% interest in the SARA Refinery, which is based in Martinique with operations to sell refined crude oil in Guadeloupe, French Guiana and Martinique. The SARA Refinery is an unlisted entity and has a December 31 year end. This entity is treated as an investment in associate and accounted for using the equity method.

Summarized below is the financial information for the SARA Refinery:

For the year ended	December 31, 2019
Sales and operating revenue	1,355
Cost of purchases	1,066
Gross profit	289
Net earnings	34
Share of equity investment (%)	29%
Proportionate share of net earnings	10
Amortization of fair value adjustments	(2)
Share in earnings from investment in associate	8

	December 31, 2019
Current assets	417
Non-current assets	234
Current liabilities	(163)
Non-current liabilities	(140)
Net assets	348

The table below presents the reconciliation of proportionate share of net assets of the SARA Refinery to the carrying amounts recorded in the consolidated balance sheets as at December 31, 2019.

	December 31, 2019
Proportionate share of equity investment (%)	29%
Proportionate share of net assets	101
Fair value adjustments	51
Carrying amount	152

($ millions, unless otherwise stated)

12. LONG-TERM DEBT

	December 31, 2019	December 31, 2018
Credit Facility (a)	**610**	82
Unamortized discount: deferred financing costs	**–**	(6)
	610	76
Senior Notes (b)		
5.50% Senior Notes, due 2021	**200**	200
6.00% Senior Notes, due 2022	**200**	200
5.75% Senior Notes, due 2024	**300**	300
5.625% Senior Notes, due 2025	**500**	500
6.00% US$500 Senior Notes, due 2026	**648**	682
6.50% Senior Notes, due 2027	**300**	300
5.875% US$500 Senior Notes, due 2027	**648**	—
Unamortized premium: Redemption Options	**27**	19
Unamortized discount: deferred financing costs	**(35)**	(31)
	2,788	2,170
Other notes	**14**	11
Credit Facility, Senior Notes, and Other notes	**3,412**	2,257
Lease obligations[1]	**526**	6
Total long-term debt	**3,938**	2,263
Less: current portion of Credit Facility, Senior Notes and Other notes	**(3)**	(2)
Less: current portion of Lease obligations	**(112)**	(2)
Long-term debt	**3,823**	2,259

[1] Parkland has included extension options in the calculation of the lease liabilities in limited circumstances where it has the right to extend a lease term at its discretion and is reasonably certain to exercise the extension option.

Estimated principal repayments of the Credit Facility, Senior Notes, and other notes are as follows:

	2020	2021	2022	2023	2024	Thereafter	Interest included in minimum lease payments	Total
Credit Facility (a)	–	–	–	610	–	–	–	610
Senior Notes (b)								
5.50% Senior Notes, due 2021	–	200	–	–	–	–	–	200
6.00% Senior Notes, due 2022	–	–	200	–	–	–	–	200
5.75% Senior Notes, due 2024	–	–	–	–	300	–	–	300
5.625% Senior Notes, due 2025	–	–	–	–	–	500	–	500
6.00% US Senior Notes, due 2026	–	–	–	–	–	648	–	648
6.50% Senior Notes, due 2027	–	–	–	–	–	300	–	300
5.875% US Senior Notes, due 2027	–	–	–	–	–	648	–	648
Other notes	5	6	1	2	–	–	–	14
Undiscounted Future Lease Payments	150	113	88	73	51	218	(167)	526
	155	319	289	685	351	2,314	(167)	3,946

(a) Credit Facility

On January 8, 2019, in connection with the Sol Transaction, the existing Credit Facility was amended and restated to expand the available facility and extend the maturity date (the "Credit Facility"). The Credit Facility includes a combined revolving facility amount of US$780 and $400 with a maturity date of January 8, 2023. The revolving facilities are extendible each year for a rolling four-year period at Parkland's option, subject to approval by the lenders.

($ millions, unless otherwise stated)

Details on the Credit Facility as at December 31, 2019 are as follows:

	Rate	Maturity date	Effective rate	Balance
$400 Canadian Syndicated Facility				
Canadian Prime Rate Loan	Prime + 0.70%	January 8, 2023	4.65%	**90**
LIBOR Loan	LIBOR + 1.70%	January 8, 2023	3.40% to 3.49%	**95**
US$780 US Syndicated Facility				
US Prime Rate Loan	Prime + 0.70%	January 8, 2023	5.45%	**60**
US LIBOR Loan	LIBOR + 1.70%	January 8, 2023	3.20% to 3.55%	**365**
Outstanding borrowings under the Credit Facility				**610**

Security on the Credit Facility consists of the assignment of insurance and a floating charge demand debenture, creating a first floating charge over all of Parkland's property and assets, except for those secured under the Intermediation Facility (see Note 13). Additionally, certain subsidiaries have provided security in connection with the Credit Facility.

Parkland provides guarantees on behalf of its subsidiaries in the form of letters of credit and surety bonds in the ordinary course of business. As at December 31, 2019, these guarantees amounted to $272 (December 31, 2018 - $233) and are not recognized in the consolidated financial statements. Maturity dates for these guarantees vary and are up to and including June 29, 2021.

As at December 31, 2019, Parkland provided $2,314 (December 31, 2018 - $866) of unsecured guarantees to counterparties of commodities swaps and purchases and supply agreements of crude oil, fuel and other petroleum products.

(b) Senior Notes

The Senior Notes are unsecured obligations guaranteed by Parkland's subsidiaries, summarized as follows:

	Private placement date	Maturity date	Principal amount
5.50% Senior Notes	May 29, 2014	May 28, 2021	**200**
6.00% Senior Notes	November 21, 2014	November 21, 2022	**200**
5.75% Senior Notes	September 16, 2016	September 16, 2024	**300**
5.625% Senior Notes	May 9, 2017	May 9, 2025	**500**
6.00% US Senior Notes	March 23, 2018	April 1, 2026	**648**
6.50% Senior Notes	November 21, 2018	January 21, 2027	**300**
5.875% US Senior Notes	July 10, 2019	July 15, 2027	**648**
			2,796

The Senior Notes contain covenants that limit 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. Interest on the Senior Notes is paid semi-annually and is recorded in finance costs. See Note 22.

5.875% US Senior Notes

On July 10, 2019, Parkland completed the private offering of US$500 aggregate principal amount of senior unsecured notes due July 15, 2027. The 5.875% US Senior Notes were priced at par and bear interest at a rate of 5.875% per annum, payable semi-annually in arrears beginning January 15, 2020. Parkland used the net proceeds from the offering to: (i) repay in full its US$250 Term Loan Facility due 2021; and (ii) repay certain outstanding amounts borrowed under its existing revolving credit facilities.

6.00% US Senior Notes

On March 23, 2018, Parkland completed a private placement of Senior Notes with an aggregate principal amount of US$500 due April 1, 2026, bearing an interest rate of 6.00% per annum, payable semi-annually in arrears on April 1 and October 1 each year until maturity. The net proceeds from the 6.00% US Senior Notes were used to repay amounts owed under the revolving extendible credit facility as well as for general business use. In addition to the private placement of the 6.00% US Senior Notes, Parkland entered into a cross-currency swap to mitigate foreign currency risk related to the 6.00% US Senior Notes during the first quarter of 2018 (see Note 13). On November 29, 2018, the cross-currency swap was extinguished and the unamortized deferral of the day-one fair value was amortized in full.

6.50% Senior Notes

On November 21, 2018, Parkland completed a private placement of Senior Notes with an aggregate principal amount of $300 due January 21, 2027, bearing an interest rate of 6.50% per annum, payable semi-annually in arrears on January 21 and June 21 each year until maturity. The net proceeds from the 6.50% Senior Notes were used to repay amounts owing under the revolving extendible credit facility in anticipation of the Sol Transaction (see Note 19).

(c) Net Investment Hedge

During the year ended December 31, 2019, Parkland designated certain USD-denominated debt and payable balances as a net investment hedge to mitigate foreign exchange risk related to foreign operations ("Net Investment Hedge") for which the US dollar is the functional currency. During the year ended December 31, 2019, Parkland recognized a foreign exchange gain of $10 (net of tax) on these balances, representing the effective portion of the hedge in other comprehensive income (loss), offsetting exchange differences on translation of foreign operations.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT ACTIVITIES

Parkland's financial instruments consist of cash and cash equivalents, accounts receivable, long-term receivables, risk management and other derivative assets, substantially all accounts payable and accrued liabilities, dividends declared and payable, long-term debt, risk management and other derivative liabilities, and certain portions of other long-term assets and other liabilities.

(a) Fair value measurement hierarchy

Parkland's financial assets and liabilities that are measured at fair value are categorized by level according to the significance of the inputs used in making the measurements in a three-level hierarchy. Refer to Note 2 for the measurement hierarchy and techniques used by Parkland to value financial instruments.

($ millions, unless otherwise stated)

The fair value hierarchy table for Parkland's financial assets and liabilities is as follows:

		Fair value as at December 31, 2019			
	Note	**Quoted prices in active market (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Risk management derivatives					
Commodities swaps, forwards and futures contracts (b)		–	**1**	–	**1**
Other derivatives					
Emission credits and allowances		–	**24**	–	**24**
Risk management and other derivatives - assets		–	**25**	–	**25**
Risk management derivatives					
Commodities swaps, forwards and futures contracts (b)		–	**(8)**	–	**(8)**
Other derivatives					
Emission credits and allowances		–	**(3)**	–	**(3)**
Risk management and other derivatives - liabilities		–	**(11)**	–	**(11)**
Other items included in other long-term assets					
Redemption Options (c)	11	–	**109**	–	**109**
Others	11	–	–	**13**	**13**
Other items included in other long-term assets		–	**109**	**13**	**122**
Other items included in provisions and other liabilities					
Intermediation Facility Derivatives	16	–	**(9)**	–	**(9)**
Sol Put Option (d)	16	–	–	**(486)**	**(486)**

		Fair value as at December 31, 2018			
	Note	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Risk management derivatives					
Commodities swaps, forwards and futures contracts		—	2	—	2
Sol Transaction Hedge		—	26	—	26
Other derivatives					
Emission credits and allowances		—	12	—	12
Risk management and other derivatives - assets		—	40	—	40
Risk management derivatives					
Commodities swaps, forwards and futures contracts		—	(2)	—	(2)
US dollar forward exchange contract		—	(2)	—	(2)
Other derivatives					
Emission credits and allowances		—	(3)	—	(3)
Risk management and other derivatives - liabilities		—	(7)	—	(7)
Other items included in other long-term assets					
Redemption Options	11	—	8	—	8
Others	11	—	—	7	7
Other items included in other long-term assets		—	8	7	15
Other derivatives included in prepaid expenses and other					
Intermediation Facility Derivatives		—	7	—	7

There were no transfers between the fair value measurement hierarchy levels during the year ended December 31, 2019.

(b) Risk management derivatives

Sol Transaction Hedge

On January 8, 2019, Parkland exercised the US dollar open dated forward window contract to hedge the foreign currency risks related to the US dollar purchase price of the Sol Transaction (the "Sol Transaction Hedge"). The Sol Transaction Hedge contract was designated as a cash flow hedge with a notional amount of $515, forward rate of 1.299, and settlement expiry date of January 31, 2019 and was effective in hedging against foreign exchange risks on the first US$397 of the Sol Transaction purchase price. Upon exercise, the net gain of $12 (including the unrealized gain of $26 included in other comprehensive income (loss) as at December 31, 2018) with respect to this contract was recorded as a reduction to the purchase consideration for Sol Transaction (see Note 19).

Commodities swaps, forwards and futures contracts and US dollar forward contracts

Derivative financial instruments may be used to selectively reduce volatility associated with fluctuations in foreign currency exchange rates and commodity prices. As at December 31, 2019, Parkland's derivative financial instruments include US dollar forward contracts, commodities futures contracts on refined products, and commodities swaps on crude oil, heavy oil, liquid petroleum gas and refined products.

(c) Other derivatives

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 carried at a fair value of $109 as at December 31, 2019 (December 31, 2018 - $8) within other long-term assets with the changes in fair value recorded within other (gains) and losses. The Redemption Options related to the 2019 Notes were ascribed a fair value of $11 on initial recognition on July 10, 2019. The carrying value of the notes was accordingly increased by the same amount.

USD Currency Swap

During the first quarter of 2018, Parkland entered into a USD/CAD cross-currency swap maturing on April 1, 2026 to mitigate foreign currency risk related to the 6.00% US Senior Notes by converting the US$500 Senior Notes at a fixed rate of 6.00% to C$655 at a fixed rate of 5.7685% (the "USD Currency Swap"). Gains or losses were recorded within (gain) loss on risk management and other derivatives in the consolidated statements of income.

On November 29, 2018, the cross-currency swap was extinguished and the unamortized deferral of the day-one fair value was amortized in full.

(d) Non-derivative financial instruments

The Sol Put Option is classified as a non-derivative financial liability at FVTPL, with changes in redemption value recorded within other (gains) and losses on the consolidated statements of income. The proportionate redemption value of the Sol Put Option is calculated by discounting Sol's contractually defined trailing-twelve-month adjusted EBITDA, multiplied by 8.5, and including other adjustments as defined in the Sol Agreement. The Sol Put Option is carried at a redemption value of $486 as at December 31, 2019. During the year ended December 31, 2019, a change in redemption value of $6 was recorded within other (gains) and losses (2018 — nil). See Note 16.

Significant unobservable inputs assumptions include (i) a contractually defined trailing-twelve-month adjusted EBITDA of Sol multiplied by 8.5, (ii) other adjustments as defined in the Sol Agreement, and (iii) a discount rate of 5.125%. An increase in adjusted EBITDA would result in an increase to the liability associated with the Sol Put Option. A 1% change in the discount rate would decrease or increase the liability associated with the Sol Put Option by $7.

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and dividends declared and payable approximate their fair values as at December 31, 2019 due to the short-term nature of these instruments. The carrying value of long-term receivables approximates fair value as at December 31, 2019, as Parkland currently issues loans and advances to dealers and customers at similar terms. The Senior Notes had a carrying value of $2,796 and an estimated fair value of $2,939 as at December 31, 2019 (December 31, 2018 – $2,182 and $2,051 respectively), determined by discounting future cash flows using rates available to Parkland for loans with similar terms, conditions and maturity dates. The carrying value of other long-term debt approximates fair value as at December 31, 2019, as either the interest rate on the long-term debt is adjusted monthly or the debt was issued recently. The carrying value of other long-term liabilities approximates fair value as at December 31, 2019, given that they were recently incurred.

($ millions, unless otherwise stated)

(e) Offsetting

Parkland enters into enforceable netting arrangements that allow for the offsetting of financial assets and liabilities. The following financial assets and financial liabilities are subject to offsetting on the consolidated balance sheets:

	December 31, 2019			December 31, 2018		
	Gross amounts	**Amounts offset**	**Net**	Gross amounts	Amounts offset	Net
Risk management and other derivatives — assets	**29**	**(4)**	**25**	28	(14)	14
Risk management and other derivatives — liabilities	**(12)**	**4**	**(8)**	(21)	14	(7)

(f) Market risk

US dollar currency risk

Parkland is exposed to foreign currency risk relating to its operating and financing activities, such as purchasing and selling certain products and services in US dollars and the use of the Intermediation Facility, Credit Facility and Senior Notes. The following table demonstrates the sensitivity to a $0.10 change in the US dollar to Canadian dollar exchange rate 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 contracts.

For the years ended	**December 31, 2019**	December 31, 2018
$0.10 increase in USD/CAD exchange rate:		
- Increase (decrease) in net earnings	**(19)**	(51)
- Increase (decrease) in other comprehensive income	**(97)**	40
	(116)	(11)

Foreign exchange (gain) loss

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

For the years ended	**December 31, 2019**	December 31, 2018
(Gain) loss on foreign exchange - unrealized	**(47)**	53
(Gain) loss on foreign exchange - realized	**15**	(10)
Foreign exchange (gain) loss	**(32)**	43

(g) Commodity price risk

Parkland enters into derivative instruments including the Intermediation Facility Derivatives as well as swaps, forwards and futures contracts ("risk management contracts") to mitigate commodity price risk volatility as part of its risk management strategy. These risk management contracts are used to lock in margins with customers on commodities to be delivered. Any unrealized gains or losses on risk management contracts recognized under IFRS are expected to partially offset any unrealized gains or losses on physical products to be delivered in the future. These financial instruments are subject to financial controls, risk management and monitoring procedures. Risk management derivatives and Intermediation Facility Derivatives are recorded at fair value and are sensitive to commodity price movements. As at December 31, 2019, a 5% change in commodity prices, including crude oil, heavy oil, LPGs and refined products, with all other variables held constant, would change net earnings by approximately $5 (2018 - $10) due to the change in the fair values of risk management derivatives and Intermediation Facility Derivatives.

($ millions, unless otherwise stated)

(Gain) loss on risk management and other derivatives

The following table details the (gain) loss on risk management and other derivatives as presented on the consolidated statements of income:

For the years ended	**December 31, 2019**	December 31, 2018
(Gain) loss on risk management and other derivatives - unrealized	**1**	(3)
(Gain) loss on risk management and other derivatives - realized	**4**	20
(Gain) loss on risk management and other derivatives	**5**	17

(h) Interest rate risk

Parkland is normally exposed to market risk from changes in the Canadian and US prime interest rates, bankers' acceptance rate and LIBOR rate, which can impact Parkland's borrowing costs. Parkland monitors and analyzes 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, 2019, a 100-basis point change in these interest rates, with all other variables held constant, including the amount of borrowings and letters of credit drawn under the Credit Facility, would have caused an increase or decrease to interest on long-term debt and net earnings of approximately $7 (2018 - $1).

(i) Credit risk

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

Parkland applies the IFRS 9 simplified approach to measure ECLs, which uses a lifetime expected loss allowance for all trade accounts receivable. As at December 31, 2019, the provision for ECLs on trade accounts receivable was $13 (December 31, 2018 – $7) and the provision for ECLs on long-term receivables was $1 (December 31, 2018 – nil).

(j) Liquidity risk

Parkland mitigates liquidity risk by forecasting spending and cash flow requirements, considering seasonality of working capital needs and ensuring 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, 2019, Parkland has available unused credit facilities of $748 (December 31, 2018 – $449). Parkland believes it has sufficient funding to meet foreseeable liquidity requirements through the use of credit facilities, cash flows from operating activities, and cash at hand.

($ millions, unless otherwise stated)

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

As at December 31, 2019	Note	**Less than one year**	**Years 2 and 3**	**Years 4 and 5**	**Thereafter**	**Interest included in minimum lease payments**	**Total**
Accounts payable and accrued liabilities		**1,358**	**–**	**–**	**–**	**–**	**1,358**
Dividends declared and payable		**15**	**–**	**–**	**–**	**–**	**15**
Risk management and other derivative liabilities		**11**	**–**	**–**	**–**	**–**	**11**
Long-term debt commitments[(1)]		**5**	**407**	**912**	**2,096**	**–**	**3,420**
Interest on long-term debt commitments[(2)]		**188**	**358**	**303**	**195**	**–**	**1,044**
Undiscounted future lease payments		**150**	**201**	**124**	**218**	**(167)**	**526**
Provisions and other liabilities[(3)]	16	**–**	**848**	**–**	**23**	**–**	**871**
		1,727	**1,814**	**1,339**	**2,532**	**(167)**	**7,245**

[(1)] Undiscounted principal.
[(2)] Includes interest on the Credit Facility, Senior Notes and Other Notes.
[(3)] Includes the Intermediation Facility, the Sol Put Option, and other items. Excludes the asset retirement and other obligations.

As at December 31, 2018	Note	Less than one year	Years 2 and 3	Years 4 and 5	Thereafter	Interest included in minimum lease payments	Total
Accounts payable and accrued liabilities		806	—	—	—	—	806
Dividends declared and payable		14	—	—	—	—	14
Risk management and other derivative liabilities		7	—	—	—	—	7
Long-term debt commitments[(1)]		3	289	202	1,782	—	2,276
Interest on long-term debt commitments[(2)]		140	271	233	222	—	866
Undiscounted future lease payments		3	5	—	—	(2)	6
Provisions and other liabilities[(3)]	16	260	39	—	2	—	301
		1,233	604	435	2,006	(2)	4,276

[(1)] Undiscounted principal.
[(2)] Includes interest on the Credit Facility, Senior Notes and Other Notes.
[(3)] Includes the Intermediation Facility, the Sol Put Option, and other items. Excludes the asset retirement and other obligations.

14. CAPITAL MANAGEMENT

Parkland's capital structure comprises long-term debt (including the current portion) and shareholders' equity, less cash and cash equivalents. 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 the 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. It is therefore unlikely to be comparable to similar measures presented by other companies. Debt covenant restrictions vary by seasonality and timing of material acquisitions as defined under the terms of the Credit Facility.

($ millions, unless otherwise stated)

As at December 31, 2019, Parkland was in compliance with all debt covenants. Parkland's covenant restrictions, management long-term targets and actual debt covenant ratios are as follows:

	Ratio	Covenant restriction	Management long-term target	Actual debt covenant ratios as at December 31, 2019	December 31, 2018
1.	Senior Funded Debt to Credit Facility EBITDA ratio	< 3.50	< 3.50	**0.38**	0.09
2.	Total Funded Debt to Credit Facility EBITDA ratio	< 5.00	2.00 - 3.50	**2.79**	2.47
3.	Interest coverage ratio	> 3.00	> 3.00	**5.32**	6.52

Parkland manages its capital structure and adjusts it 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, repay existing debt or enter financial facilities such as the Intermediation Facility. The Total Funded Debt to Credit Facility EBITDA ratio target may be modified if strategic acquisitions are made.

15. SUPPLEMENTAL CASH FLOW INFORMATION

Net change in non-cash working capital

(a) Operating activities

For the years ended	December 31, 2019	December 31, 2018
Accounts receivable	**(112)**	43
Inventories	**(217)**	39
Prepaid expenses and other	**(15)**	17
Accounts payable and accrued liabilities	**284**	(210)
Income taxes payable	**55**	—
Deferred revenue	**9**	—
Total net change in non-cash working capital related to operating activities	**4**	(111)

($ millions, unless otherwise stated)

(b) Reconciliation of movements from financial liabilities to cash generated from financing activities

	Note	**Long-term debt**	**Provisions and other liabilities - current[1]**	**Dividends declared and payable**
As at January 1, 2019		**2,263**	**275**	**14**
Dividends paid to shareholders, net of dividend reinvestment plan		**–**	**–**	**(114)**
Change in Intermediation Facility, net of unrealized foreign exchange (gain) loss	16	**–**	**36**	**–**
Gross proceeds from 5.875% US Senior Notes	12	**655**	**–**	**–**
Net proceeds from (repayments of) the Credit Facility		**542**	**–**	**–**
Other net long-term debt repayments, net of financing costs		**(39)**	**–**	**–**
Payments on principal amount of leases, and other lease payments		**(117)**	**–**	**–**
Cash generated from (used in) financing activities		**1,041**	**36**	**(114)**
Dividends declared		**–**	**–**	**175**
Dividends issued under dividend reinvestment plan		**–**	**–**	**(60)**
Inception value of Redemption Options	13	**11**	**–**	**–**
Amortization of deferred financing costs and debt premium	12	**15**	**–**	**–**
Sol Transaction	19	**173**	**–**	**–**
2019 USA Acquisitions	19	**29**	**–**	**–**
Lease additions, net of disposals and other adjustments		**468**	**–**	**–**
Effect of changes in foreign exchange rates		**(62)**	**4**	**–**
Others		**–**	**18**	**–**
As at December 31, 2019		**3,938**	**333**	**15**

[1] Excludes asset retirement and other obligations - current portion. See Note 16.

	Note	Long-term debt	Provisions and other liabilities - current[1]	Dividends declared and payable
As at January 1, 2018		2,014	325	13
Dividends paid to shareholders, net of dividend reinvestment plan		—	—	(102)
Change in Intermediation Facility, net of unrealized foreign exchange (gain) loss	16	—	(59)	—
Gross proceeds from 6.00% US Senior Notes	12	655	—	—
Gross proceeds from 6.50% Senior Notes	12	300	—	—
Other proceeds from long-term debt, net of financing costs		176	—	—
Long-term debt repayments		(935)	—	—
Cash generated from (used in) financing activities		196	(59)	(102)
Dividends declared		—	—	155
Dividends issued under dividend reinvestment plan		—	—	(52)
Change in Intermediation Facility Derivatives	16	—	(9)	—
Effect of changes in foreign exchange rates		31	18	—
Inception value of Redemption Options	13	11	—	—
Amortization of deferred financing costs	12	7	—	—
Capital leases assumed as part of the Rhinehart Acquisition		4	—	—
As at December 31, 2018		2,263	275	14

[1] Excludes asset retirement and other obligations - current portion. See Note 16.

($ millions, unless otherwise stated)

16. PROVISIONS AND OTHER LIABILITIES

	Note	December 31, 2019	December 31, 2018
Intermediation Facility (a)		**302**	260
Intermediation Facility Derivatives (a)		**9**	—
Asset retirement and other obligations - current portion (b)		**12**	4
Deferred revenue		**22**	15
Provisions and other liabilities - current		**345**	279
Sol Put Option (c)	13	**486**	—
Asset retirement and other obligations (b)		**396**	282
Employee benefits and other		**34**	12
Long-term deposits, provisions and other		**28**	21
DSU liability	17	**12**	8
Provisions and other liabilities - non-current		**956**	323

(a) Intermediation Facility Derivatives

In 2017, Parkland entered into an International Swaps and Derivatives Association ("ISDA") intermediation agreement with a financial institution (the "Intermediation Facility") to fund a portion of the working capital requirements of the Burnaby Refinery that includes a daily settlement feature, which is accounted for as a derivative financial instrument carried at fair value (the "Intermediation Facility Derivatives"). On December 14, 2019, the Intermediation Facility was amended to extend the expiry to December 31, 2021. The Intermediation Facility involves structured purchases and sales of crude oil, refined products and other hydrocarbons (collectively, "Hydrocarbons"). The Intermediation Facility has a funding limit of: (i) up to US$125 of accounts receivable balances; and (ii) the cost of Hydrocarbon inventory volumes up to 2,590 Mbbls. The Intermediation Facility is secured by Hydrocarbons and accounts receivable balances funded under the Intermediation Facility on a first-lien basis.

For the year ended December 31, 2019, a realized loss of $24 (2018 - gain of $20) and an unrealized loss of $15 (2018 - gain of $15) relating to the Intermediation Facility Derivatives are included within cost of purchases on the consolidated statements of income.

(b) Asset retirement and other obligations

	Note	January 1, 2019 to December 31, 2019	January 1, 2018 to December 31, 2018
Asset retirement and other obligations, beginning of period		**286**	243
Additional provisions made in the period		**23**	14
Sol Transaction and other acquisitions	19	**117**	6
Obligations settled during the period		**(11)**	(12)
Change due to passage of time, foreign exchange, discount rate and inflation rate		**(7)**	35
Asset retirement and other obligations, end of period		**408**	286
Current		**12**	4
Non-current		**396**	282
Asset retirement and other obligations, end of period		**408**	286

As at December 31, 2019, the inflation rate used to determine the value of future asset retirement costs ranged from 2.20% to 2.26% (December 31, 2018 - 2.58% to 2.75%) and the discount rates used to determine the present value of the future asset retirement costs ranged from 3.43% to 3.86% (December 31, 2018 - 4.07% to 4.86%). Asset retirement and other obligations include certain provisions calculated for environmental activities at the Burnaby Refinery. Excluding these provisions, the total undiscounted estimated future cash flows required to settle Parkland's asset retirement and other obligations ("ARO") were $601 as at December 31, 2019 (December 31, 2018 - $412). These costs are expected to be paid up to 2068 (December 31, 2018 - 2056).

(c) Sol Put Option

	Note	January 1, 2019 to December 31, 2019
Sol Put Option, beginning of period		–
Initial valuation, January 8, 2019		**494**
Change in redemption value of Sol Put Option	23	**6**
Exchange differences		**(14)**
Sol Put Option, end of period		**486**

See Note 13(d) for details.

17. SHAREHOLDERS' CAPITAL

(a) Shareholders' capital

Authorized capital of Parkland consists of an unlimited number of common shares and unlimited number of preferred shares issuable in series without par value. There are no preferred shares outstanding.

Changes to shareholders' capital were as follows:

	2019		2018	
	Number of common shares (000's)	**Amount ($ millions)**	Number of common shares (000's)	Amount ($ millions)
Shareholders' capital, as at January 1	**133,668**	**1,886**	131,228	1,816
Shares issued on Sol Transaction	**12,231**	**423**	—	—
Issued under dividend reinvestment plan, net of costs	**1,524**	**62**	1,643	55
Issued under share option plan	**482**	**12**	690	15
Issued on vesting of restricted share units	**300**	**(1)**	205	2
Cancelled	**–**	**–**	(98)	(2)
Shareholders' capital, as at December 31	**148,205**	**2,382**	133,668	1,886

Dividends

During the year ended December 31, 2019, Parkland declared dividends of $177 (2018 - $159). Shareholders of record prior to March 22, 2019 received a regular monthly dividend of $0.0978 per share, and shareholders of record on or after March 22, 2019 received a regular monthly dividend of $0.0995 per share. Dividends declared and payable as at December 31, 2019 of $15 at $0.0995 per share were paid on January 15, 2020 (December 31, 2018 - $14 at $0.0978 per share).

(b) Share options

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

	2019		2018	
	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	**3,427**	**25.68**	3,256	22.45
Granted	**716**	**38.94**	890	32.61
Exercised	**(482)**	**22.05**	(690)	19.38
Forfeited	**(51)**	**30.88**	(29)	25.22
Share options, as at December 31	**3,610**	**28.73**	3,427	25.68
Exercisable options, as at December 31	**2,235**	**24.43**	1,894	22.17

The range of exercise prices and weighted average remaining contractual lives for 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 – $18.99	**266**	**1**	**17.55**
$19.00 – $25.99	**1,327**	**4**	**22.62**
$26.00 – $32.99	**1,161**	**6**	**30.32**
$33.00 – $39.99	**685**	**7**	**38.18**
$40.00 – $46.99	**171**	**7**	**44.84**
Share options as at December 31, 2019	**3,610**	**5**	**28.73**

Share option expense included in marketing, general and administrative expenses for the year ended December 31, 2019 was $4 (2018 - $2). Options were exercised on a regular basis throughout the year. The weighted average share price during the year was $42.39 per share (2018 - $35.49 per share).

The weighted average fair values of the options granted in 2019 and 2018 and the weighted average assumptions used in the Black-Scholes option valuation model to determine their fair values are as follows:

	2019	2018
Exercise price and share price at grant date ($ per option)	**38.94**	32.61
Volatility (%)	**27.08**	20.40
Dividend yield (%)	**3.02**	3.59
Expected life of option (years)	**5**	5
Annual risk-free interest rate (%)	**1.57**	2.16
Fair value ($ per option)	**7.02**	4.48

The expected lives of the options 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 ("RSUs")

RSUs held by officers and employees are summarized as follows:

	2019		2018	
	Number of RSUs (000's)	**Average exercise price ($ per option)**	Number of RSUs (000's)	Average exercise price ($ per option)
Restricted share units, as at January 1	**1,016**	**29.20**	935	25.76
Granted	**396**	**38.36**	467	31.69
Dividend equivalents	**34**	**31.61**	39	22.20
Issued on vesting	**(405)**	**37.78**	(380)	23.94
Forfeited	**(60)**	**32.05**	(45)	26.93
Restricted share units, as at December 31	**981**	**34.02**	1,016	29.20

RSU expense included in marketing, general and administrative expenses for the year ended December 31, 2019 was $15 (December 31, 2018 - $8).

(d) Deferred share units ("DSUs")

DSUs held by non-executive members of the Board of Directors are summarized as follows:

	2019	2018
	Number of DSUs (000's)	Number of DSUs (000's)
Deferred share units, as at January 1	**218**	186
Granted	**25**	24
Dividend equivalents	**7**	8
Deferred share units, as at December 31	**250**	218

The liability recorded for DSUs in other long-term liabilities as at December 31, 2019 was $12 (December 31, 2018 - $8). Expense related to DSUs included in marketing, general and administrative expenses for the year ended December 31, 2019 was $4 (2018 - $3).

(e) Base shelf prospectus

On July 17, 2018, Parkland filed a base shelf prospectus ("Shelf Prospectus") for common shares, preferred shares, subscription receipts, warrants, debentures, notes and other evidence of indebtedness, as well as units comprised of one or more of the aforementioned (collectively, the "Securities") with an aggregate offering amount of up to $1,000. 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. The Shelf Prospectus expires in August 2020. As at March 5, 2020, no Securities have been issued under the Shelf Prospectus. The previous base shelf prospectus dated April 11, 2016 expired in May 2018.

18. NON-CONTROLLING INTEREST

Parkland's non-controlling interest ("NCI") represents a third party's 25% ownership interest in Sol. The businesses and assets included in Sol are predominantly located in the Caribbean and north eastern coast of South America. NCI is classified as a component of total equity.

Summarized financial information of Sol is provided below and is based on amounts before intercompany eliminations.

	December 31, 2019
Current assets	**748**
Non-current assets	**1,541**
Current liabilities	**(382)**
Non-current liabilities	**(502)**
Total equity	**1,405**
Attributable to Parkland	**1,054**
Attributable to NCI	**351**

($ millions, unless otherwise stated)

For the year ended	**December 31, 2019**
Sales and operating revenue	**4,946**
Cost of purchases	**4,305**
Adjusted gross profit[1]	**641**
Attributable to Parkland	**481**
Attributable to NCI	**160**
Adjusted EBITDA including NCI[1]	**374**
Attributable to Parkland	**281**
Attributable to NCI	**93**
Total net earnings	**130**
Attributable to Parkland	**98**
Attributable to NCI	**32**
Total comprehensive income	**78**
Attributable to Parkland	**57**
Attributable to NCI	**21**
Dividends paid to NCI	**84**

[1] See Note 27 for the calculation of Adjusted gross profit and Adjusted EBITDA including NCI.

($ millions, unless otherwise stated)

19. BUSINESS COMBINATIONS

(a) USA Acquisitions

During the year ended December 31, 2019, Parkland successfully completed the acquisition of: (i) all of the issued and outstanding equity interests of Tropic Oil Company, Inc. as well as equity interest and the assets of certain of its affiliates (collectively "Tropic"); (ii) certain assets and liabilities of Ken Bettridge Distributing Inc. ("KB Oil"); and (iii) certain assets and liabilities of Mort Distributing Inc. ("Mort"), all of which were accounted for as individually separate business combinations (collectively the "2019 USA Acquisitions"). The aggregate preliminary fair values of the identifiable assets acquired and liabilities assumed as well as the purchase consideration transferred for the 2019 USA Acquisitions are presented below. Parkland expects to finalize these amounts no later than one year from the respective acquisition dates.

	Note	Preliminary fair values
Assets		
Accounts receivable[1]		**43**
Inventories		**19**
Property, plant and equipment	7	**54**
Intangible assets	9	**20**
Others		**5**
		141
Liabilities		
Accounts payable and accrued liabilities[2]		**(25)**
Long-term debt		**(29)**
Others		**(7)**
		(61)
Goodwill arising on acquisition[3]	10	**21**
Net assets acquired		**101**
Fair value analysis of purchase consideration transferred		
Cash paid on acquisition date, less cash assumed		**101**
Purchase consideration transferred		**101**

[1] The gross amounts of accounts receivable represent their fair value and the amounts that can be collected.
[2] Accounts payable and accrued liabilities acquired have a fair value that equals their gross contractual values and expected cash outflow at the acquisition date.
[3] Goodwill represents the value of integration synergies, growth opportunities, a strong management team and an assembled workforce, and is fully deductible for tax purposes.

Since the transaction date, sales and operating revenue of $223 and net earnings of $4 attributable to the 2019 USA Acquisitions are included in the consolidated statements of comprehensive income. The estimated consolidated sales and operating revenue and net earnings of Parkland would have been approximately $18,956 and $424 respectively for the year ended December 31, 2019, if the 2019 USA Acquisitions were completed on January 1, 2019. Although these amounts represent Parkland's best estimate, there can be no assurance that these would have been the actual results had the 2019 USA Acquisitions occurred on January 1, 2019.

On August 27, 2018, Parkland completed the acquisition of: (i) all outstanding shares of Rhinehart Oil Co., LLC and its affiliates ("Rhinehart") for a purchase price of $176; and (ii) acquisitions of individually immaterial businesses (collectively the "2018 USA Acquisitions") complementary to Parkland's existing lines of business. There are no changes to the preliminary fair values of the identifiable assets and liabilities of these acquisitions.

(b) Sol Transaction

Parkland successfully completed the acquisition of 75% of the outstanding shares of Sol Investments SEZC ("SIL", previously named as Sol Investments Limited) on January 8, 2019 (the "Sol Transaction") for preliminary purchase price consideration of $1,380, consisting of cash consideration of $960 net of estimated cash assumed, preliminary working capital adjustments of $9, gain on a US dollar currency hedge of $12 and fair value of share consideration of $423 (representing 12.2 million common shares calculated using the trading price of $34.56 per share) in respect of the purchase price under the Sol Agreement.

The issuance of common shares resulted in the non-controlling shareholders of SIL owning 9.9% of the outstanding shares of Parkland immediately after closing. The cash consideration of the Sol Transaction was primarily financed through the Credit Facility (see Note 12). The preliminary purchase price is subject to change as a result of customary post-closing activities.

The businesses and assets included in the Sol Transaction are predominantly located in the Caribbean and northern coast of South America and consisted of: (i) Sol's retail businesses, which include 268 company-owned or company-leased sites and 239 dealer-owned and dealer-operated sites under brands such as Shell, Esso and Sol; (ii) Sol's supply and distribution businesses, which include owned or leased infrastructure assets including 32 import terminals, 7 pipelines, 3 marine berths and 10 charter ships; (iii) Sol's commercial and industrial businesses, which supply gasoline, diesel, fuel oil, propane and lubricants; and (iv) Sol's aviation businesses, which operate in 13 countries. The Sol Transaction provides Parkland access to key markets in 23 countries and comprehensive supply infrastructure in the Caribbean and northern coast of South America.

In addition, the Sol Agreement includes the Sol Call Option and the Sol Put Option. See Notes 13(d) and 16(c) for details.

($ millions, unless otherwise stated)

The preliminary fair values of the identifiable assets acquired and liabilities assumed as well as the purchase consideration transferred are presented below.

	Note	Preliminary fair values
Assets		
Accounts receivable[1]		**290**
Prepaid expenses and other		**23**
Inventories		**174**
Property, plant and equipment	7	**830**
Property, plant and equipment — right-of-use assets	8	**172**
Intangible assets	9	**344**
Long-term receivables		**3**
Other long-term assets		**181**
Deferred tax assets		**33**
		2,050
Liabilities		
Accounts payable and accrued liabilities[2]		**(294)**
Long-term debt		**(2)**
Long-term debt — lease liability		**(171)**
Asset retirement obligations	16	**(110)**
Deferred tax liabilities		**(160)**
Other liabilities		**(24)**
		(761)
Non-controlling interest[3]	18	**(414)**
Goodwill arising on acquisition[4]	10	**505**
Net assets acquired		**1,380**
Fair value analysis of purchase consideration transferred		
Cash paid on acquisition date, less cash assumed of $368		**960**
Common shares issued on acquisition		**423**
Working capital adjustment		**9**
Sol Transaction Hedge		**(12)**
Purchase consideration transferred		**1,380**

[1] The gross amounts of accounts receivable represent their fair value and the amounts that can be collected.
[2] Accounts payable and accrued liabilities acquired have a fair value that equals their gross contractual values and expected cash outflow at the acquisition date.
[3] Non-controlling interest is calculated based on Parkland's proportionate share of the acquired net identifiable assets.
[4] Goodwill represents the value of integration synergies, growth opportunities, a strong management team and an assembled workforce and is not deductible for tax purposes.

Since the transaction date, sales and operating revenue of $4,946 and net earnings of $130 attributable to the Sol Transaction are included in the consolidated statements of comprehensive income. The estimated consolidated sales and operating revenue and net earnings of Parkland would have been approximately $18,522 and $414, respectively for the year ended December 31, 2019, if the Sol Transaction occurred on January 1, 2019. Although these amounts represent Parkland's best estimate, there can be no assurance that these would have been the actual results had the Sol Transaction occurred on January 1, 2019.

($ millions, unless otherwise stated)

(c) Other information

Details of acquisition, integration and other costs are as follows:

For the years ended	**December 31, 2019**	December 31, 2018
Acquisition costs	**21**	19
Integration costs	**55**	55
Other costs	**15**	3
Acquisition, integration and other costs	**91**	77

20. OPERATING COSTS AND MARKETING, GENERAL AND ADMINISTRATIVE EXPENSES

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

For the years ended	**December 31, 2019**			December 31, 2018		
	Operating costs	**Marketing, general and administrative**	**Total**	Operating costs	Marketing, general and administrative	Total
Employee costs	**239**	**279**	**518**	150	161	311
Operating leases	**87**	**3**	**90**	95	9	104
Other operating costs	**717**	**–**	**717**	570	—	570
Other marketing, general and administrative expenses	**–**	**166**	**166**	—	123	123
	1,043	**448**	**1,491**	815	293	1,108

Employee costs include employee benefits and costs of full-time, part-time, and contract employees. Other operating costs include costs for services, credit card transaction processing fees, commissions, third-party delivery expenses, property tax, insurance, utilities, maintenance and repairs. Other marketing, general and administrative expenses include general office, general liability insurance, technology, consulting, legal and audit expenses.

21. OTHER INCOME

For the years ended	**December 31, 2019**	December 31, 2018
Share in earnings from investment in associate[1]	**8**	—
Others	**14**	—
	22	—

[1] A subsidiary of SIL, a non-wholly owned subsidiary of Parkland, holds a 29% interest in the SARA Refinery. The investment in the SARA Refinery is accounted for using the equity method in accordance with IAS 28. See Note 11 for further discussion on the investment in associate.

22. FINANCE COSTS

For the years ended	Note	**December 31, 2019**	December 31, 2018
Interest on leases	8	**29**	1
Interest on long-term debt		**197**	128
Amortization, accretion and other finance costs		**34**	18
		260	147

($ millions, unless otherwise stated)

23. OTHER (GAINS) AND LOSSES

For the years ended	Note	December 31, 2019	December 31, 2018
Change in fair value of Redemption Options	13	**(91)**	24
Change in redemption value of Sol Put Option	16	**6**	—
Others		**(2)**	—
		(87)	24

24. INCOME TAXES

(a) Income tax expense (recovery)

For the years ended	December 31, 2019	December 31, 2018
Current tax:		
Tax on net earnings for the year	**183**	92
Adjustments in respect of prior years and other	**10**	(11)
Current income tax expense	**193**	81
Deferred tax:		
Origination and reversal of temporary differences	**(54)**	(14)
Change in enacted tax rates	**2**	—
Adjustments in respect of prior years and other	**(8)**	4
Deferred income tax expense (recovery)	**(60)**	(10)
Income tax expense (recovery)	**133**	71

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

For the years ended	December 31, 2019	December 31, 2018
Canada	**397**	289
United States	**1**	(12)
Other countries[1]	**149**	—
Earnings before income taxes	**547**	277
Blended statutory tax rate[2]	**23%**	27%
Tax calculated at blended statutory tax rate	**126**	75
Tax effects of:		
Non-deductible expenses	**2**	6
Adjustments in respect of prior years	**2**	(7)
Change in enacted tax rates	**2**	—
Other items	**1**	(3)
Income tax expense (recovery)	**133**	71

[1] Includes earnings before income taxes earned in geographic locations outside of Canada and the United States. It does not refer to earnings before income taxes from the International segment.
[2] The blended statutory tax rate is derived based on income earned in various countries. The change in the blended statutory tax rate was due to the Sol Transaction and changes in enacted tax rates.

(b) Deferred income taxes

	December 31, 2019	December 31, 2018
Deferred tax assets	**167**	101
Deferred tax liabilities	**(299)**	(168)
Net deferred tax liabilities	**(132)**	(67)

($ millions, unless otherwise stated)

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

	Note	**2019**	2018
Net deferred tax assets (liabilities), as at January 1		**(67)**	(77)
Sol Transaction	19	**(127)**	—
Deferred income tax (expense) recovery recognized in net earnings		**60**	10
Other items		**2**	—
Net deferred tax assets (liabilities), as at December 31		**(132)**	(67)

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

	Consolidated statements of comprehensive income		**Consolidated balance sheets**	
	Years ended December 31,		**December 31,**	
	2019	2018	**2019**	2018
Property, plant and equipment	**(22)**	9	**(252)**	(187)
Intangible assets and goodwill	**(12)**	(2)	**(58)**	2
Asset retirement and other obligations	**–**	(11)	**100**	77
Right-of-use assets	**101**	—	**(100)**	—
Lease liabilities	**(108)**	—	**107**	—
RSUs and DSUs	**(5)**	—	**11**	6
Loss carryforwards	**(32)**	(12)	**70**	26
Embedded derivatives	**25**	(6)	**(22)**	3
Share issuance costs	**2**	2	**4**	6
Sol Transaction Hedge	**(4)**	4	**–**	(4)
Other items	**(3)**	6	**8**	4
	(58)	(10)	**(132)**	(67)

As at December 31, 2019, Parkland has capital losses that arose in Canada of $65 (December 31, 2018 - $89), primarily from the settlement of the foreign exchange hedge contract in connection with the Chevron Acquisition Hedge. This capital loss balance is available indefinitely and can be used to offset future capital gains. No deferred tax asset is recognized as it is not probable that capital gains will be available against which the capital loss can be utilized.

As at December 31, 2019, Parkland has non-capital losses available to offset income for tax purposes of $360, of which $48 has an indefinite expiry and $312 expires over the next 20 years (December 31, 2018 - $92, expiring in the next 15 to 20 years).

($ millions, unless otherwise stated)

25. RELATED PARTY TRANSACTIONS

Principal subsidiaries

As at December 31, 2019, details of Parkland's principal operating subsidiaries are as follows:

Name	Country of operation	Related operating segment
Parkland Fuel Corporation[1]	Canada	Canada Retail (formerly "Retail"), Canada Commercial (formerly "Commercial") and Supply
Parkland Refining (B.C.) Ltd.[1]	Canada	Canada Retail (formerly "Retail"), Canada Commercial (formerly "Commercial") and Supply
Parkland Refining Ltd.[1]	Canada	Supply
Elbow River Marketing Ltd.[1]	Canada	Supply
SPF Energy Inc.[1]	United States	USA (formerly "Parkland USA")
Farstad Oil Inc.[1]	United States	USA (formerly "Parkland USA")
Superpumper Inc.[1]	United States	USA (formerly "Parkland USA")
Rhinehart Oil Co., Inc.[1]	United States	USA (formerly "Parkland USA")
Tropic Oil Company Inc.[1]	United States	USA (formerly "Parkland USA")
Sol Investments SEZC[2] (formerly "Sol Investments Limited")	Various	International

[1] Wholly owned subsidiary of Parkland.
[2] Parkland owns a 75% interest in Sol Investments SEZC. The remaining 25% interest is held by a third party.

Key management compensation

Parkland's key management personnel includes members of the Board of Directors and senior leadership team. Key management compensation is presented in aggregate below:

For the years ended	**December 31, 2019**	December 31, 2018
Salaries and short-term employee benefits	**11**	9
Share-based payments	**9**	6
	20	15

The liability balance for the annual incentive plan and share-based compensation to key management personnel, including DSUs outstanding, was $17 as at December 31, 2019 (December 31, 2018 - $11). A clawback policy is in place to recoup variable compensation in the event of a financial restatement, gross negligence, fraud or intentional misconduct.

($ millions, unless otherwise stated)

26. SALES AND OPERATING REVENUE

The following table presents Parkland's revenue disaggregated by product type, amount and segment:

	Supply		Canada Retail		International		Canada Commercial		USA		Consolidated	
For the years ended December 31,	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Gas and diesel	**1,477**	1,221	**5,924**	6,447	**3,841**	—	**2,295**	2,522	**1,223**	831	**14,760**	11,021
Liquid petroleum gas[1]	**470**	561	**2**	2	**45**	—	**183**	200	**22**	7	**722**	770
Other fuel and petroleum products[2]	**896**	1,765	**–**	—	**868**	—	**–**	—	**8**	—	**1,772**	1,765
Fuel and petroleum product revenue	**2,843**	3,547	**5,926**	6,449	**4,754**	—	**2,478**	2,722	**1,253**	838	**17,254**	13,556
Convenience store	**–**	—	**380**	388	**16**	—	**–**	—	**110**	57	**506**	445
Lubricants	**–**	—	**–**	—	**93**	—	**51**	63	**263**	121	**407**	184
Other non-fuel[3]	**44**	59	**27**	76	**83**	—	**101**	95	**31**	27	**286**	257
Non-fuel revenue	**44**	59	**407**	464	**192**	—	**152**	158	**404**	205	**1,199**	886
Sales and operating revenue	**2,887**	3,606	**6,333**	6,913	**4,946**	—	**2,630**	2,880	**1,657**	1,043	**18,453**	14,442

(1) Liquid petroleum gas includes propane and butane.
(2) Other fuel and petroleum products include crude oil, aviation fuel, asphalt, fuel oils, gas oils, ethanol and biodiesel.
(3) Other non-fuel includes rent, freight, tanks and parts installation, cylinder exchanges, and other products and services.

27. SEGMENT INFORMATION

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

Supply
Supply is responsible for managing Parkland's fuel supply contracts, purchasing fuel from refiners, refining and marketing fuel, transporting and distributing fuel through ships, rail and highway carriers, storing fuel in owned and leased facilities, and serving wholesale and reseller customers. The profits are derived through refining, supply logistics management, aviation fuel sales, and wholesale fuel sales.

Canada Retail
Canada Retail (formerly "Retail") operates and services a network of retail gas stations in Canada operating under many key retail brands including Ultramar, Esso, Fas Gas Plus, Chevron, Pioneer, and Race Trac. In addition, Parkland operates a convenience store brand, On the Run / Marché Express, as well as other convenience store brands.

International
International represents the contributions of the Sol business that was acquired on January 8, 2019, which includes operations in 23 countries predominantly located in the Caribbean and northern coast of South America. International operates and services a network of retail service stations under brands including Esso, Shell and Sol. International also serves commercial, industrial and aviation businesses.

Canada Commercial
Canada Commercial (formerly "Commercial") 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. Canada Commercial brands include Ultramar, Bluewave Energy, Pipeline Commercial, Chevron, Columbia Fuels, and Sparlings Propane.

USA
USA (formerly "Parkland USA") operates and services a network of retail service stations and delivers gasoline, distillates, propane and lubricating oils in the United States. Brands operated by USA include SPF Energy, Farstad Oil, Superpumper, Rhinehart, and Tropic.

Corporate
Corporate includes centralized administrative services and expenses incurred to support operations. Due to the nature of these activities, these costs are not specifically allocated to Parkland's operating segments.

General information
Depreciation and amortization, finance costs, acquisition, integration and other costs, (gain) loss on risk management and other derivatives — unrealized, (gain) loss on foreign exchange — unrealized, other (gains) and losses 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 net 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. Similarly, intersegment sales are not presented to or reviewed by the chief operating decision maker. Intersegment sales are eliminated from sales and operating revenue and cost of purchases of the selling segments. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

($ millions, unless otherwise stated)

Geographic information

Sales and operating revenue from external customers

For the years ended	**December 31, 2018**	December 31, 2017
Canada	**10,635**	12,028
United States	**3,710**	2,414
Other countries[1]	**4,108**	—
Total	**18,453**	14,442

[1] This includes sales and operating revenue from external customers in geographic locations outside Canada and the United States. It does not refer to sales and operating revenue earned by the International segment.

	December 31, 2019			
	Canada	**United States**	**International**	**Consolidated**
Property, plant and equipment	**2,542**	**202**	**1,003**	**3,747**
Intangible assets	**572**	**92**	**301**	**965**
Goodwill	**1,165**	**151**	**495**	**1,811**
Total	**4,279**	**445**	**1,799**	**6,523**

	December 31, 2018			
	Canada	United States	International	Consolidated
Property, plant and equipment	2,118	149	—	2,267
Intangible assets	627	87	—	714
Goodwill	1,165	140	—	1,305
Total	3,910	376	—	4,286

Segment information	**Supply**		**Canada Retail**		**International**		**Canada Commercial**		**USA**		**Corporate**		**Consolidated**	
For the years ended December 31,[1]	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Fuel and petroleum product volume (million litres)[2]	**5,563**	5,833	**6,890**	6,905	**5,118**	—	**3,036**	3,178	**1,801**	1,062	**–**	—	**22,408**	16,978
Sales and operating revenue[3]	**2,887**	3,606	**6,333**	6,913	**4,946**	—	**2,630**	2,880	**1,657**	1,043	**–**	—	**18,453**	14,442
Cost of purchases														
Fuel and petroleum product cost of purchases	**1,835**	2,666	**5,428**	5,908	**4,226**	—	**2,199**	2,450	**1,167**	796	**–**	—	**14,855**	11,820
Non-fuel cost of purchases	**21**	35	**260**	316	**79**	—	**99**	103	**303**	151	**–**	—	**762**	605
Cost of purchases	**1,856**	2,701	**5,688**	6,224	**4,305**	—	**2,298**	2,553	**1,470**	947	**–**	—	**15,617**	12,425
Adjusted gross profit														
Fuel and petroleum product adjusted gross profit, before the following:	**1,008**	881	**498**	541	**528**	—	**279**	272	**86**	42	**–**	—	**2,399**	1,736
Gain (loss) on risk management and other derivatives - realized	**(6)**	(20)	**–**	—	**2**	—	**–**	—	**–**	—	**–**	—	**(4)**	(20)
Gain (loss) on foreign exchange - realized	**(14)**	13	**–**	—	**(2)**	—	**–**	—	**–**	—	**1**	(3)	**(15)**	10
Other adjusting items[4]	**15**	(15)	**–**	—	**–**	—	**–**	—	**–**	—	**–**	3	**15**	(12)
Fuel and petroleum product adjusted gross profit	**1,003**	859	**498**	541	**528**	—	**279**	272	**86**	42	**1**	—	**2,395**	1,714
Non-fuel adjusted gross profit	**23**	24	**147**	148	**113**	—	**53**	55	**101**	54	**–**	—	**437**	281
Total adjusted gross profit	**1,026**	883	**645**	689	**641**	—	**332**	327	**187**	96	**1**	—	**2,832**	1,995
Other income	**–**	—	**–**	—	**(20)**	—	**(2)**	—	**–**	—	**–**	—	**(22)**	—
Operating costs	**283**	255	**293**	314	**178**	—	**186**	191	**103**	55	**–**	—	**1,043**	815
Marketing, general and administrative	**85**	67	**69**	59	**104**	—	**49**	43	**28**	13	**113**	111	**448**	293
Other adjusting items	**–**	—	**–**	—	**5**	—	**–**	—	**–**	—	**–**	—	**5**	—
Adjusted EBITDA including NCI	**658**	561	**283**	316	**374**	—	**99**	93	**56**	28	**(112)**	(111)	**1,358**	887
Adjusted EBITDA attributable to Parkland ("Adjusted EBITDA")	**658**	561	**283**	316	**281**	—	**99**	93	**56**	28	**(112)**	(111)	**1,265**	887
Attributable to NCI	**–**	—	**–**	—	**93**	—	**–**	—	**–**	—	**–**	—	**93**	—
Adjusted EBITDA including NCI	**658**	561	**283**	316	**374**	—	**99**	93	**56**	28	**(112)**	(111)	**1,358**	887
Depreciation and amortization													**580**	301
Finance costs													**260**	147
(Gain) loss on asset disposals													**3**	23
Acquisition, integration and other costs													**91**	77
(Gain) loss on risk management and other derivatives - unrealized													**1**	(3)
(Gain) loss on foreign exchange - unrealized													**(47)**	53
Other (gains) and losses													**(87)**	24
Other adjusting items[4]													**10**	(12)
Income tax (recovery) expense													**133**	71
Net earnings													**414**	206
Attributable to Parkland													**382**	206
Attributable to NCI													**32**	—
Property, plant and equipment and intangible asset additions	**141**	130	**140**	111	**96**	—	**51**	39	**16**	7	**33**	9	**477**	296
Property, plant and equipment, intangible asset and goodwill acquisitions	**–**	—	**–**	4	**1,698**	—	**–**	2	**91**	214	**–**	—	**1,789**	220

(1) 2019 results reflect the adoption of IFRS 16 on January 1, 2019. 2018 comparative figures reflect the accounting standards in effect for that year. Specifically, they are not restated to reflect the impact of IFRS 16, which is allowed under the modified retrospective approach for IFRS 16 adoption.
(2) Fuel and petroleum product volume represents external volumes only. Intersegment volumes are excluded.
(3) See Note 26 for further details on sales and operating revenue.
(4) Other adjusting items includes an unrealized loss of $15 (2018 - unrealized gain of $15) on Intermediation Facility Derivatives within fuel and petroleum product cost of purchases.

($ millions, unless otherwise stated)

28. CONTINGENCIES AND COMMITMENTS

(a) Legal

Parkland is involved in various legal claims and legal proceedings arising in 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. Accruals for litigation, claims and assessments are recognized if Parkland determines that the loss is probable and the amount can be reasonably estimated. Parkland believes it has made adequate provisions for such legal claims.

(b) Commitments

Parkland has entered into legally binding agreements to make future payments for the purchase of goods and services, including the acquisition of property, plant and equipment. Approximate future undiscounted payments under these agreements are as follows:

	2020	**2021**	**2022**	**2023**	**2024**	**Thereafter**	**Total**
Contractual commitments for the acquisition of property, plant and equipment	**107**	–	–	–	–	–	**107**

In addition to the commitments in the above table, Parkland has entered into purchase orders and contracts during the normal course of business for the purchase of goods and services, which may terminate on short notice. Such obligations include commodity purchase obligations transacted at market prices. Furthermore, 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, which vary based on volumes and other factors. 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.

(c) Obligations under operating leases

On January 1, 2019, Parkland recognized right-of-use assets for leases according to IFRS 16 as described in Note 3. Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	December 31, 2019	December 31, 2018
Less than one year	–	60
Years 2 to 5	–	136
Thereafter	–	124
Total	–	320

29. SUBSEQUENT EVENT

Parkland completed the acquisition of all of the issued and outstanding equity interests of Kellerstrass Oil Company, as well as equity interests and the assets of certain of its affiliates (collectively "Kellerstrass") on February 14, 2020 (the "Kellerstrass Acquisition"). Kellerstrass is based in Salt Lake City and is a regional retail dealer and commercial fuel business with branches in Utah, Idaho and Wyoming. In addition to highly efficient trucking, routing and distribution practices, Kellerstrass brings a strategic 17-car rail spur and storage assets, commercial cardlocks and an 84-location dealer business. The Kellerstrass Acquisition was financed through cash flows from operations and the Credit Facility, and the purchase consideration was settled in cash.