Parkland
FUEL CORPORATION

OUR PLAN IN MOTION

2011 ANNUAL REPORT

OUR PLAN IN MOTION

GROW

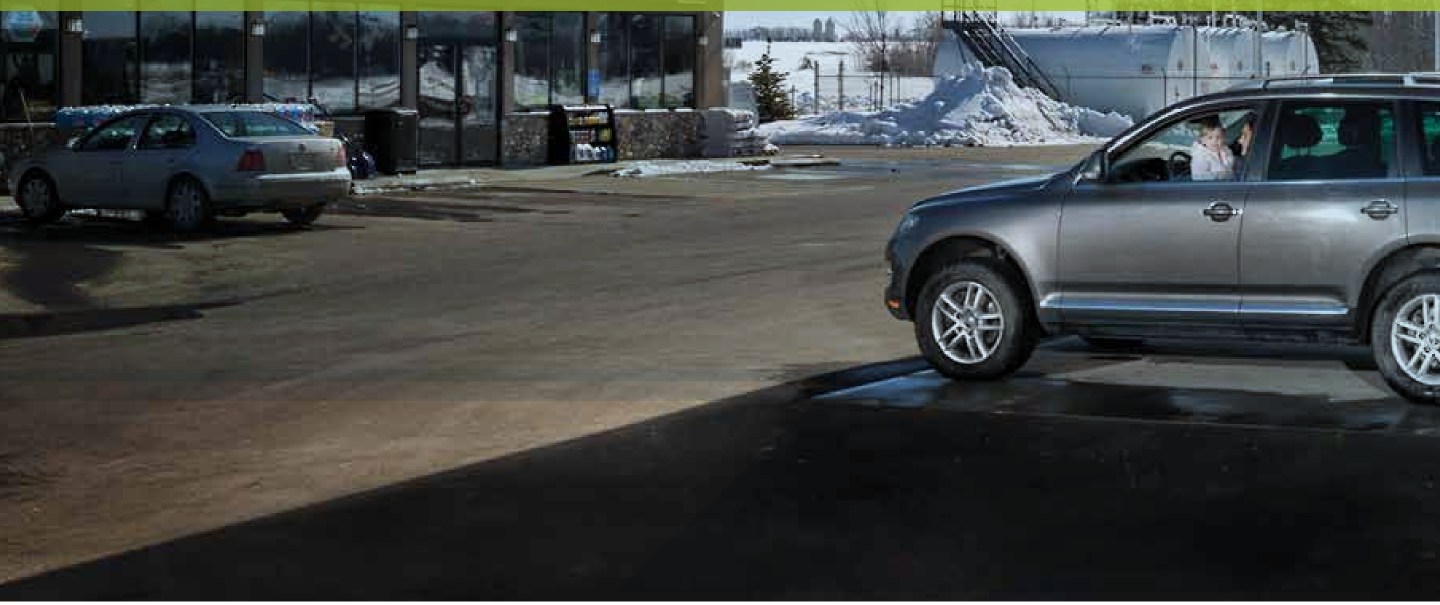
Grow our fuel marketing business to 7 billion litres.

SUPPLY

Achieve industry leading supply costs.

OPERATE

Deliver superior customer service safely and cost effectively.



GROWING FOR TOMORROW

COMPANY PROFILE

LARGEST INDEPENDENT FUEL MARKETER

Parkland Fuel Corporation is Canada's largest independent fuel distributor and marketer. Focused on the downstream component of the fuel industry, Parkland is the only company of its kind that has evolved over more than 50 years into a company totally focused on the marketing, distribution and delivery of fuel and lubricants.

Parkland operates three distribution channels: retail, commercial, and wholesale. Through its nationwide fuel distribution network, Parkland fulfills an unmet need by connecting refiners with end users. It is through these strong relationships that Parkland drives value for its investors.

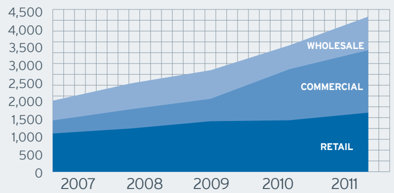
Currently, 4.2 billion litres, or 5.2% of Canada's fuel passes through Parkland's hands. As an industry consolidator, Parkland is aiming to grow its fuel marketing business by acquiring retail and commercial businesses, with a goal of increasing its market share to 10%, or 7 billion litres. In addition to growing earnings by increasing fuel volumes, Parkland's strategy includes growing earnings by operating efficiently and effectively managing its fuel supply.

CLEAR GROWTH STRATEGY

Parkland is a growth company in an industry that has experienced a trend of consolidation. The Corporation is well positioned to assist other independent fuel marketers looking for a partner to help with their succession plans, and major refiners looking for a partner to help steward and grow their downstream marketing channels. During and after the acquisition process, Parkland works with these partners to serve their customers, care for their employees, and grow their business. This is how Parkland intends to deliver value to its partners and investors.

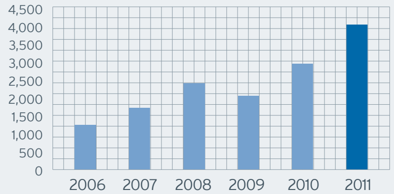
FINANCIAL HIGHLIGHTS

FUEL VOLUMES (millions of litres)



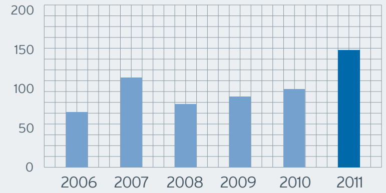
Fuel volumes have increased through a combination of acquisitions (predominantly commercial fuel acquisitions) and organic growth. While organic growth has historically provided volume increases in the range of 2% to 3% annually, in 2011 this area of growth accounted for a 6.4% increase in volume.

REVENUE (millions of dollars)



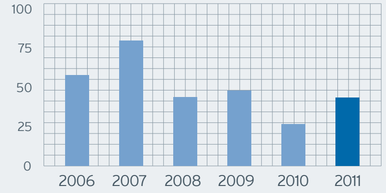
Parkland's revenue is driven by fuel volumes, the cost of refined product and, by extension, the price of crude oil. In the absence of large changes in fuel volumes, revenue tends to fluctuate directly with the price of crude. Volumes, gross profit margins, and costs on a cents per litre basis drive Parkland's earnings, whereas changes in revenue impact working capital and return on capital employed ("ROCE").

EBITDA (millions of dollars)



Parkland achieved record earnings before interest, tax, depreciation and amortization ("EBITDA") in 2011 due to strong Retail and Commercial Fuels results and improved refiners' margins compared to the prior year. By contrast, strong EBITDA in 2007 was driven predominantly by refiners' margins that were extremely elevated due to refiner disruptions in the Southern United States following Hurricane Katrina.

EARNINGS (millions of dollars)



Net earnings increased in 2011, despite the corporation becoming fully taxable, primarily due to $50.2 million in increased EBITDA that was partially offset by $33.2 million in increased income tax expense.

CONSOLIDATED HIGHLIGHTS

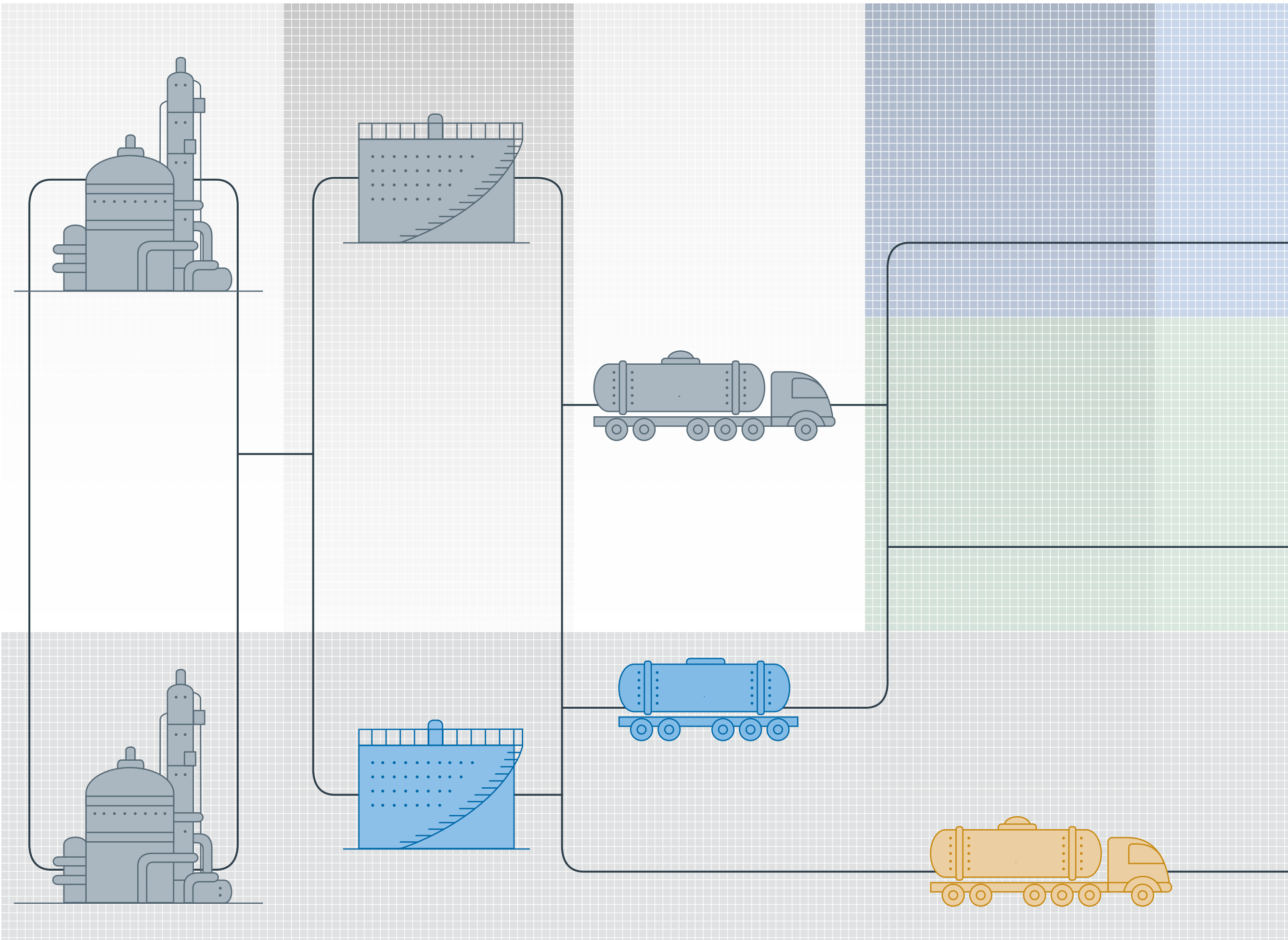
	Three months ended December 31,			Year ended December 31,		
(in millions of Canadian dollars, except volume and per Share/Unit amounts)	2011	2010	% Change	2011	2010	% Change
Income Statement Summary:						
Sales and operating revenues	1,014.3	824.6	23	3,980.5	2,891.2	38
Gross profit	103.1	95.3	8	408.4	316.2	29
Operating costs	44.5	41.0	9	172.7	138.8	24
Marketing, general and administrative	22.4	20.0	12	86.9	78.2	11
Depreciation and amortization expense	16.7	16.8	(1)	68.4	62.9	9
	19.5	17.5	11	80.5	36.2	122
Customer finance income	(0.7)	(0.6)	17	(2.8)	(1.5)	87
Finance costs	10.5	8.8	19	36.7	27.4	34
Gain on disposal of property, plant and equipment	(1.1)	(0.5)	120	(15.9)	(3.1)	413
Unrealized risk management loss	0.9	-		0.9	-	
Earnings before income taxes	9.8	9.8	-	61.6	13.5	356
Income tax expense (recovery)	2.4	(1.9)	N/A	17.7	(13.4)	N/A
Net earnings	7.4	11.7	(37)	43.9	26.8	64
Net earnings per share/unit (Note 6 in financial statements)						
- Basic	0.12	0.22	(45)	0.74	0.52	43
- Diluted (3)	0.12	0.21	(43)	0.73	0.44	65
Non-GAAP Financial Measures:						
EBITDA(1)	36.0	34.9	3	150.8	100.6	50
Distributable cash flow (1)(2)	26.5	26.4	0	126.5	67.0	89
Distributable cash flow per share (1)(2)	0.41	0.50	(17)	1.97	1.26	56
Dividends/distributions	16.3	15.2	7	60.5	59.8	1
Dividend/distribution to distributable cash flow payout ratio	61%	57%		48%	89%	
Key Metrics:						
Fuel volume (millions of litres)	1,096.0	981.0	12	4,161.0	3,500.0	19
Return on capital employed				13.0%	7.6%	
Net unit operating cost (1)	3.52	3.21	10	3.82	3.41	12
Employees	1,267	1,561	(19)	1,267	1,561	(19)
Fuel Key Metrics - Cents per litre:						
Average Retail fuel gross profit	5.04	4.92	2	5.08	5.27	(4)
Average Commercial fuel gross profit	8.61	8.51	1	8.51	8.38	2
Operating costs	4.06	4.18	(3)	4.15	3.97	5
Marketing, general and administrative	2.04	2.04	0	2.09	2.23	(7)
Depreciation and amortization expense	1.52	1.71	(11)	1.64	1.80	(9)
Liquidity and bank ratios:						
Net Debt: EBITDA(1)				2.26	4.37	
Senior Debt: EBITDA(1)				1.32	2.96	
Interest coverage (1)				3.34	1.22	

(1) Please refer to the Non-GAAP Measures section in the MD&A for definitions.
(2) Please see Distributable Cash Flow reconciliation table in the MD&A.
(3) Diluted earnings (loss) per share/unit can be impacted by an anti-dilutive impact of conversion of the debentures.

Quarterly diluted earnings (loss) per share/unit may therefore not accumulate to the same per share/unit value as the year-to-date calculation.

WHERE PARKLAND MAKES MONEY

REFINERS' MARGINS	TERMINALS AND STORAGE	TRANSPORTATION	WHOLESALE MARGINS



REFINING

Crude oil enters the refinery where it is processed into refined petroleum products that include gasoline, diesel and lubricants; the foundation of Parkland's business. Refined products are either sold from the refinery or transported to a primary distribution terminal for sale.

DISTRIBUTION TERMINALS

Distribution terminals receive and store petroleum products, holding these products in inventory until they begin their journey to the end customer. Parkland has two secondary terminals in Grande Prairie, AB and Fort Nelson, BC. A larger terminal is being developed at Bowden, AB.

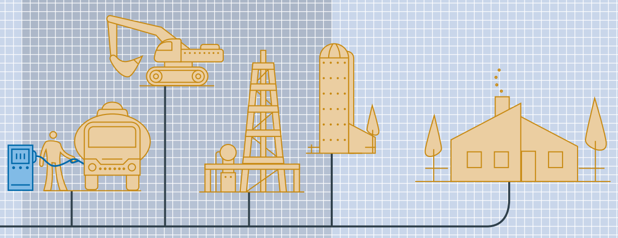
TRANSPORT AND DISTRIBUTION

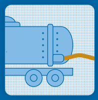
Refined petroleum products are transported from refineries and distribution terminals to commercial and industrial customers, retail service stations and households using both large long-haul tanker trucks as well as smaller local delivery trucks.

WHOLESALE CUSTOMERS

Wholesale customers purchase fuel in large quantities for end use or for resale in the commercial or retail channels. Parkland's wholesale accounts generally arrange their own freight and pickup directly from primary distribution terminals.

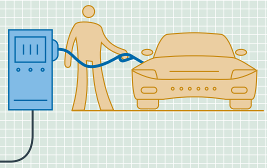
COMMERCIAL MARGINS	RETAIL MARGINS	MARKETING CHANNEL	FUEL VOLUME TTM

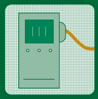




COMMERCIAL FUELS

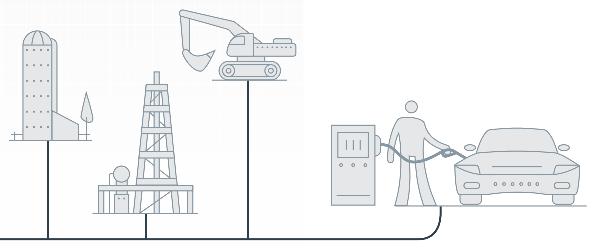
1,785
MILLIONS LITRES

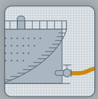




RETAIL FUELS

1,687
MILLIONS LITRES





WHOLESALE, SUPPLY AND DISTRIBUTION

689
MILLION LITRES
(INCLUDING INTERSEGMENT SALES)

COMMERCIAL CUSTOMERS

Commercial customers purchase fuel in bulk from Parkland to support their industrial activities. This includes oil & gas, mining, forestry and agricultural operations. Cardlocks, which are a commercial version of a retail gas station but provide fuel to commercial truckers, also fall into this category.

INDIVIDUAL CONSUMERS

Individual consumers purchase fuel to provide for their everyday needs. This includes Canadian motorists who fill their vehicles up at service stations and home owners who purchase heating oil or propane from Parkland to heat their homes.

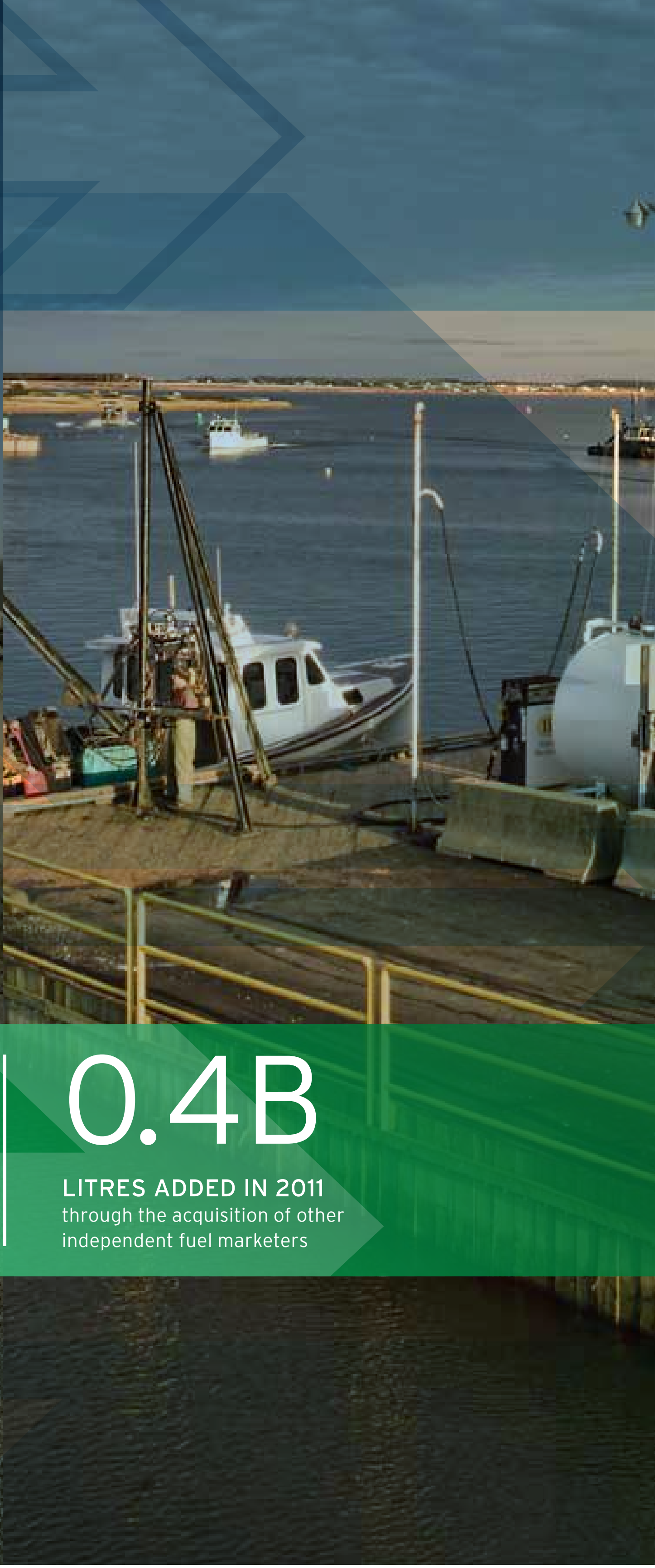
Parkland

Third-Party

Customer

Not Parkland

4,161
MILLION LITRES
TOTAL VOLUME



GROW

Parkland aims to grow to 7 billion litres through accretive acquisitions and organic growth. This year we delivered 19% fuel volume growth.

0.4B

LITRES ADDED IN 2011
through the acquisition of other independent fuel marketers

GROWING BY PARTNERING WITH AND PURCHASING INDEPENDENTS

When independent fuel marketers look for a partner to help with their succession plans, as experienced acquirers we are able to simplify the process, minimize business disruption, and preserve the relationship with both employees and customers. On December 30, 2010, Parkland acquired Island Petroleum and it is a great example of a process in which we worked with the vendor over time to develop a win/win solution for both parties.

OUR PLAN IN MOTION

GROW

Our ability to grow organically is evidenced by the 6.4% organic growth rate we accomplished for fuel volumes in 2011, more than double the industry average.

35%

GROWTH IN BULK LUBRICANT VOLUMES IN 2011

The 31,000 square foot packaged lubricant warehouse (pictured here) and the 20,000 square foot bulk lubricants warehouse in Calgary, AB are important links in Parkland's lubricant distribution supply chain. Parkland also operates similar distribution centres in Langley, BC and Dartmouth, NS.

GROWING BY PARTNERING WITH REFINERS

At Parkland, we want to deliver value to Canadian refiners by partnering with them to grow the downstream marketing channels for their refined products. The Shell Lubricants Distributor Agreement that we signed in September of 2010 is another great example of Parkland's commitment to growing branded sales for refiners. In one year we were able to grow their bulk lubricant volumes by 35 percent. In addition to investing in and growing these businesses, we simplify billing and collections for our refiner partners by consolidating their customer base which can save them money.

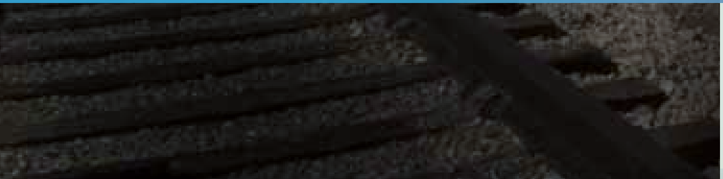
OUR PLAN IN MOTION

SUPPLY

Parkland achieves superior supply security by maintaining contracts with eight refiners who control multiple refineries across Canada.

4.2B

LITRES (TOTAL FUEL SOLD IN 2011)



The Bowden Terminal, currently under development, will have a capacity of 200,000 barrels when it is completed in 2012. The facility will enable Parkland to purchase fuel from diverse sources and mitigate the impact of regional refinery outages on Parkland's customers.

BUILDING SUPPLY SECURITY

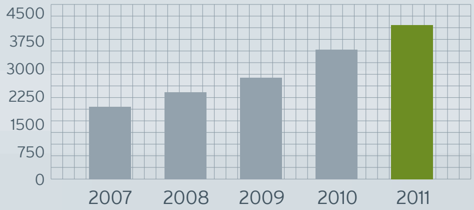
Our supply team is generating additional profits by:

- Negotiating supply contracts appropriate to the scope and breadth of Parkland's operations across Canada;
- Superior operational management to maximize the value of our contracts; and
- Using our terminal assets to increase supply security and optionality.

Leveraging these sources of sustainable profit, the supply team is on track to replace a significant portion of the historic contribution made by refiners' margins by 2014.

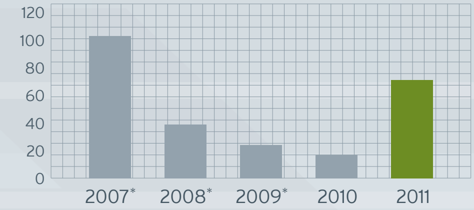
BUILDING SUPPLY, BUILDING PROFITABILITY

TOTAL VOLUME SOLD (millions of litres)



Fuel volumes for the year ended December 31, 2011 increased 19% to 4.2 billion litres from 3.5 billion litres in 2010 due to the addition of approximately 0.4 billion litres in acquired volumes and 6.4% organic fuel volume growth.

TOTAL GROSS PROFIT (millions of dollars)



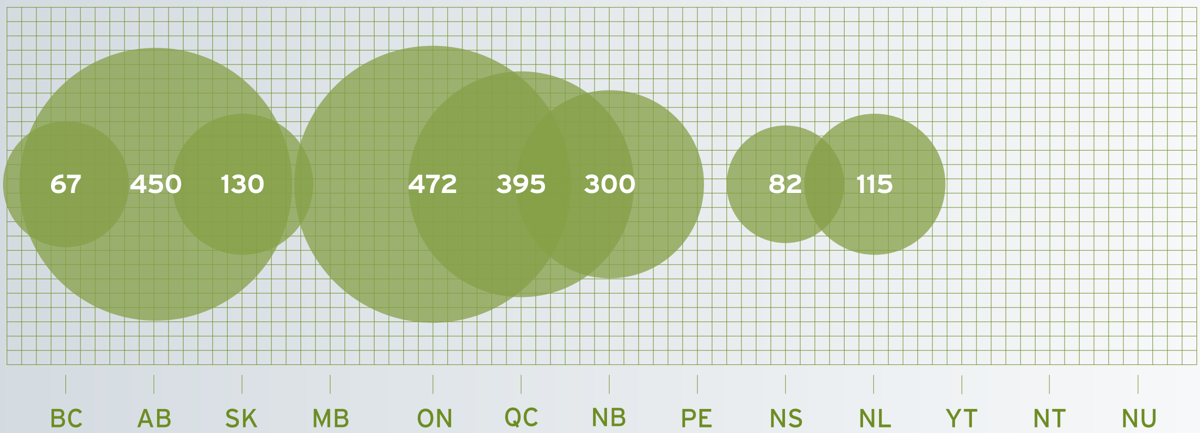
Total year gross profit in Parkland's Wholesale, Supply and Distribution division increased $54.2 million to $71.0 million for the year ended December 31, 2011, compared with $16.8 million in 2010. Refiners' margins in 2011 were strong for the majority of the year compared to 2010, when they were at the low end of the 5 year range. Refiners' margins in 2007 were extremely elevated due to refiner disruptions in the Southern United States following Hurricane Katrina.

* Gross profits disclosed for 2007-2009 have not been adjusted for IFRS

SUPPLY CONTRACTS ACROSS CANADA WITH

8 oil refiners

CANADIAN REFINING ORBITS (000'S BBL/D of refining capacity)



Source: CAPP 2011, approximate refining capacity of dedicated fuel refineries

A dependable and balanced distribution channel for refiners

4.2B

LITRES DISTRIBUTED IN 2011

$71M

GROSS PROFIT

OPERATE

The third pillar of Parkland's strategy is to operate with excellence. This means superior customer service delivered safely and cost effectively.

$10M

IN SAVINGS TARGETED
through Give me Five! initiative

Gordie, who has been with Island Petroleum for 29 years, is a great example of the spirit of customer service. One year, a day after a blizzard and on a holiday, one of Gordie's customers ran out of heating oil and called him in a panic. The snow had made the roads impassable, so Gordie asked a friend with a snow plow to clear a path. Gordie made the emergency heating oil delivery, and prevented the customers' house from freezing that day.

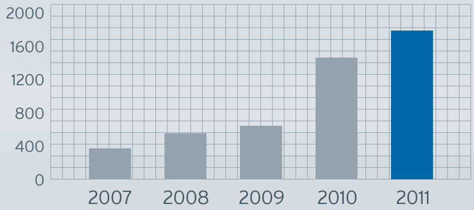
STRIVING FOR OPERATIONAL EXCELLENCE

Parkland has a responsibility to constantly improve. There are efficiencies that can be generated without harming the customer relationship simply by adopting better practices, avoiding wasteful practices, and taking advantage of current technologies. It is our responsibility to take advantage of every opportunity to generate more value for investors while continuing to improve how we serve our customers everyday.

OUR PLAN IN MOTION

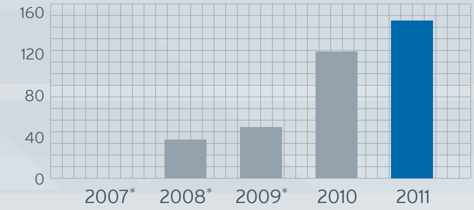
COMMERCIAL FUELS

FUEL VOLUMES (millions of litres)



Commercial Fuel volumes increased to 1.8 billion litres compared with 1.5 billion litres in 2010 due to the addition of Bluewave's January volumes in 2011, stronger heating oil sales through the first quarter of 2011 due to a cold winter, the addition of fuel sales from Island Petroleum throughout the year, partially offset by weaker heating oil sales in the fourth quarter of 2011 due to warm temperatures in Eastern and Central Canada.

GROSS PROFIT (millions of dollars)



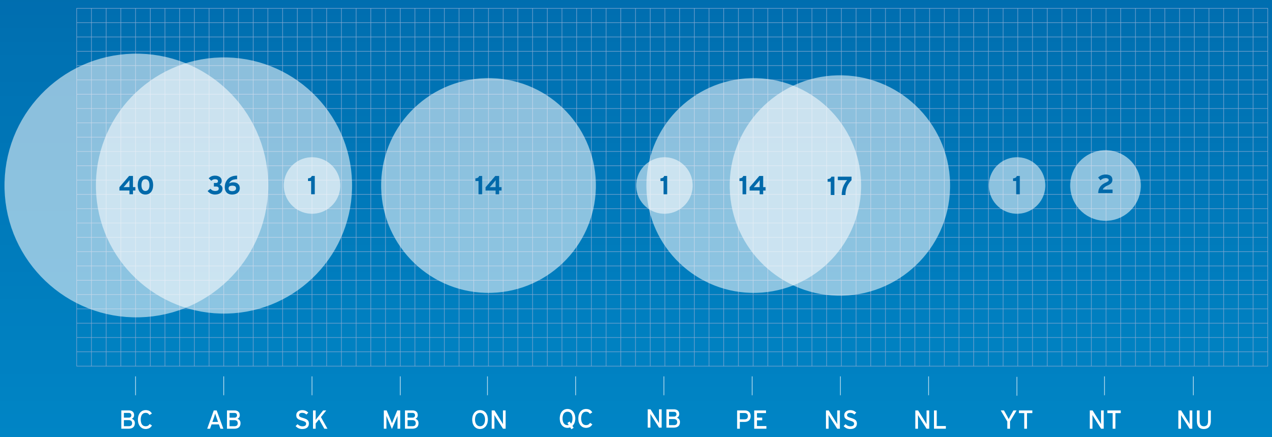
Commercial fuel gross profit increased 24% in 2011 to $152 million compared with $122 million in 2010 due to higher volumes and a 2% increase in fuel gross profit on a cents per litre (cpl) basis to 8.5 cpl in 2011 compared with 8.4 cpl in 2010.

* Gross profits disclosed for 2007-2009 have not been adjusted for IFRS. In 2007 modest profits from commercial were reported in both retail and wholesale, supply and distribution.

ACROSS CANADA

126 locations

COMMERCIAL BRANCHES AND CARDLOCKS



Parkland Commercial Fuels is a nationwide operation serving commercial, industrial and residential customers. This division delivers bulk fuel, propane, heating oil, lubricants, and other products through an extensive nationwide delivery network.

1,785M

LITRES

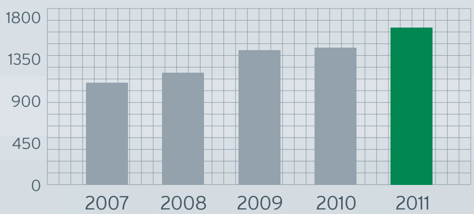
$151.9M

GROSS PROFIT

OUR PLAN IN MOTION

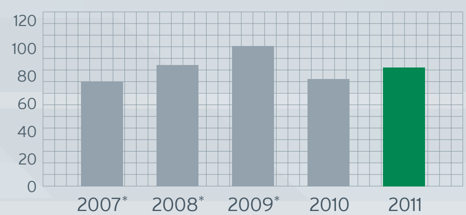
RETAIL FUELS

TOTAL VOLUME SOLD (millions of litres)



Retail Fuel volumes increased 15% to 1.7 billion litres compared with 1.5 billion litres in 2010. The increase was the result of additional fuel volumes attributable to the acquisitions of Cango and general network growth through the acquisition of new sites and continued expansion of the dealer business.

TOTAL GROSS PROFIT (millions of dollars)



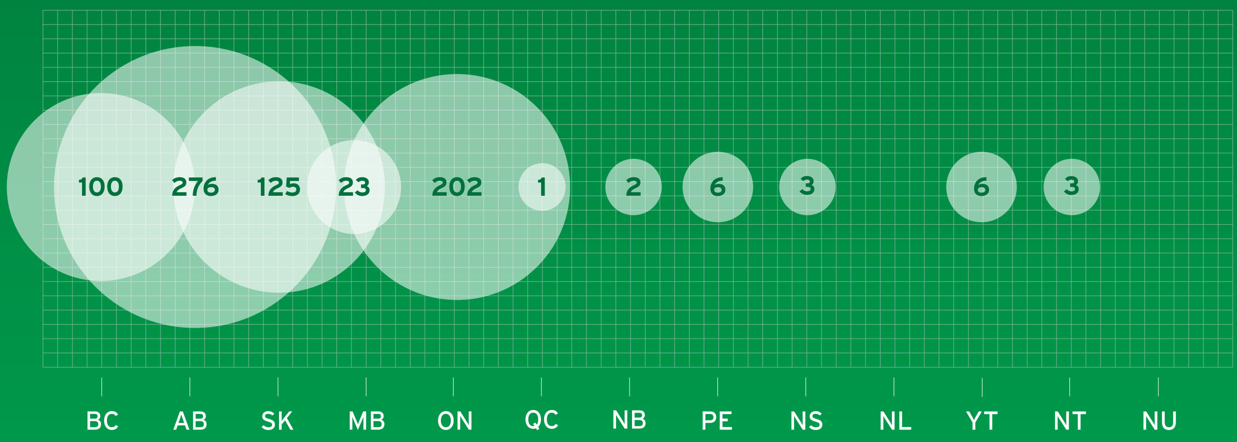
Retail fuel gross profit increased 11% in 2011 to $86 million compared with $77 million in 2010 due to higher volumes, partially offset by a 4% decrease in fuel gross profit on a cents per litre (cpl) basis to 5.1 cpl in 2011 compared with 5.3 cpl in 2010.

* Gross profits disclosed for 2007-2009 have not been adjusted for IFRS

ACROSS CANADA

747 locations

RETAIL LOCATIONS



Parkland Retail Fuels supports a network of more than 700 retail service stations that serve Canadian motorists from coast to coast.

1,687M

LITRES

$85.7M

GROSS PROFIT

HEALTH, SAFETY AND ENVIRONMENT

As a fuel company, safety and environmental protection must be among our top priorities, and we are committed to protecting employees, customers and the environment through safe work practices.

As part of this commitment, Parkland has an established Health, Safety & Environment (HSE) program designed to manage and mitigate risks. Parkland provides training to its staff to mitigate these risks and has response procedures to deal with emergency situations. We also provide safety bonuses for employees in higher risk roles to encourage and reward the safe performance of their duties.

WE CARE ABOUT OUR COMMUNITY

$100,000

OVER 3 YEARS

Alberta
CANCER FOUNDATION

In 2011, Parkland continued to work with the Alberta Cancer Foundation with another annual contribution of $33,000 to support their mobile mammography clinic. Through Fas Gas Plus, we have partnered with the Alberta Cancer Foundation as the Official Fuel Provider of the Digital Mammography Screening Program. This is the second year of a three-year agreement to provide gasoline and diesel fuel to power the delivery of this essential service to 105 rural communities throughout Alberta.

$10,000

IN 2011

Ronald McDonald House
CENTRAL ALBERTA

Parkland is a proud sponsor of the development and operating costs of the new Central Alberta Ronald McDonald House, which opened in February 2012. Approximately 11,000 children from rural communities stay at the Red Deer Hospital each year. The House will provide a ‘home away from home’ for them and their families. Fas Gas Plus will be donating fuel to families who must travel long distances to stay at the house while their children receive medical care.

WE CARE ABOUT OUR COMMUNITY

Parkland's corporate responsibility focus is supporting the communities where we operate by increasing access to essential services. In 2011, Parkland made donations of more than $390,000 to local causes.

$500,000
OVER 5 YEARS

Parkland also made donations to the Red Deer College (RDC) Building Communities Through Learning campaign and has an ongoing RDC Parkland Fuel Corporation Endowment in support of three scholarships.

$45,000
IN 2011

Parkland matched the funds raised by employees to make a donation of more than $45,000 to the United Way in 2011. United Way's mission is to improve lives and build communities by engaging individuals and mobilizing collective action, and is primarily focused on poverty, homelessness and families or individuals in need.

THE OPPORTUNITY FOR GROWTH CONTINUES

Last year I spoke to you about the path forward and the opportunities that lay ahead for Parkland. At the time, we had just come out of 2010, which was a challenging year for the Corporation. Fast forward a full year, and 2011 was one of Parkland's best years on record with 19% growth in fuel volumes, 50% growth in EBITDA, and 64% growth in net earnings compared with 2010.

The shareholder value that Parkland generated in 2011 is reflected in the 10% increase in its share price during 2011 and total shareholder return of 16% compared with an 11% decrease in the S&P TSX composite index for the year.

The opportunity for Parkland to grow in a meaningful way through acquisition and organic growth continues. The opportunity to win new business has never been greater. Parkland's ability to serve a nationwide customer base has never been better. And the Corporation's ability to unearth economies of scale and greater efficiency has never been deeper.

THE RIGHT TEAM

During 2011 Parkland managed through significant leadership changes that, in retrospect, were just the first steps in the Corporation's journey towards even greater success. Bob Espey, appointed to Chief Executive Officer on May 1, 2011, has worked tirelessly to focus Parkland on its core business, deliver a framework for customer service, and increase engagement with Parkland's cross-Canada team. Mike Lambert, appointed to Senior Vice President and Chief Financial Officer, has already demonstrated the benefit of his 29 years of experience in senior finance positions through his capacity to drill down to the critical drivers of cost within Parkland.

We see great strength in Parkland's leadership team, a group that brings a healthy combination of industry and professional experience. This is the right team for Parkland, and they are capable of delivering the kind of results that will inspire loyalty, engagement and confidence in Parkland's customers, investors, and employees.

THE SAME RECIPE FOR SUCCESS

Parkland's management team has developed a five year plan based on our three strategic pillars: Grow, Supply, and Operate:

1. **Grow** - Grow the fuel marketing business organically through superior site level execution and accretive acquisitions;
2. **Supply** – Aggressively manage Parkland's supply portfolio to achieve sustainable and predictable profitability; and
3. **Operate** – Deliver superior customer service safely and cost effectively.

GROW

We believe Parkland can continue the growth trajectory it has been on through organic growth and acquisitions. The goal is to increase fuel sales to seven billion litres per year to capture approximately ten percent of the Canadian fuel market.

Organic growth will be achieved through customer service and the enhanced efforts of our sales teams. At the same time, Parkland will pursue an aggressive but disciplined acquisition strategy that ensures it captures all the available opportunities in the marketplace without overpaying.

SUPPLY

Parkland is targeting stable and sustainable supply earnings that will continue beyond 2014 through better management of its supply portfolio. This means negotiating supply contracts that are appropriate to Parkland's size, maximizing the value of these contracts through better management, and using our terminal assets to increase our supply security and optionality.

OPERATE

Parkland's operational priorities are to deliver great customer service, operate safely, constantly improve, and to maximize efficiency. These priorities will be accomplished by adopting better practices, avoiding wasteful practices, taking advantage of current technologies and simplifying processes.

COMMITMENT TO A HEALTHY DIVIDEND

During 2011, some of Canada's former income trusts ran into trouble and were forced to cut their dividend. As a result, many of Parkland's investors expressed concern about Parkland's intentions to maintain its dividend. Parkland's Board of Directors has a strong commitment to ensuring investors participate in Parkland's success by distributing a portion of the Corporation's distributable cash flow, while ensuring the Corporation still has the ability to execute on its growth plans.

The $1.02 annual dividend per share ($0.085/month) continues to strike the right balance by providing our investors with a healthy yield while ensuring Parkland has the capital to grow. While the Corporation continues to execute on an aggressive growth strategy, investors should not expect the dividend to increase in the short term. However, at the same time, the rigor and diligence with which Parkland has stress tested the dividend should provide investors with confidence in the stability and sustainability of the dividend.

PRE-FUNDING GROWTH

Parkland uses its Premium Dividend™ and Dividend Reinvestment Plan ("DRIP") to prefund its growth initiatives. These programs allow Parkland's Canadian shareholders to participate in raising equity capital in a manner that is beneficial to them financially, but also costs Parkland less than if it were to raise equity in a large offering. This is a win-win for everyone.

The Premium Dividend™ provides eligible Canadian shareholders with a 2% cash premium in addition to their regular cash dividend. Participants in this option receive $0.0867 per share monthly rather than just $0.085.

The DRIP allows shareholders to repurchase shares with their dividend at a 5% discount to the volume weighted average price every month.

The feedback from the investment community on these programs has been very positive.

CORPORATE GOVERNANCE

Parkland's Board of Directors is focused on ensuring that sound corporate governance practices guide the Board's actions. In 2011, we focused on further aligning the Corporation's incentive plans with shareholder interests through:

1. Compensation risk mitigation to ensure that Parkland's incentive program does not encourage excessive risk taking;
2. Linking Parkland's long-term incentive plans to total shareholder return relative to a peer group of 33 high yield companies to ensure that our executives only win when our shareholders win; and
3. Linking the annual incentive plan to Return on Capital Employed ("ROCE") to ensure that capital is managed efficiently and allocated to opportunities that provide high ROCE.

More information about these plans can be found in the Management Information Circular. We always welcome input about the corporation's governance practices from Parkland's stakeholders.

CONCLUSION

We believe that whether you're an employee, a customer, or an investor, there has never been a better time to be a part of the Parkland journey. On behalf of the Board of Directors, I invite you to continue to be part of Parkland and share in our success as we put our plan in motion in 2012.

Sincerely,

Jim Pantelidis

DEAR SHAREHOLDERS,

In 2011, your company delivered record EBITDA of $151 million, a 56% increase in earnings to $42 million, and a 35% increase in earnings per share. It was a great year, and I believe that the Company is well positioned to continue this success in 2012 and beyond.

As you know, I assumed the post of Chief Executive Officer on May 1st, 2011. In meetings with shareholders prior to and following this transition, I have frequently been asked the same questions:

- How will the strategy of the new management team differ from the previous team?
- How will growth be financed?
- Do opportunities for growth still exist?
- What will happen when your supply contract with Suncor expires in 2014?
- Why should I invest in Parkland?

I will take this opportunity to address these questions, and lay out our strategy for 2012.

ONE STRATEGY

During 2011 there were significant changes to the senior leadership team at Parkland, most notably the appointment of myself and Mike Lambert to the positions of CEO and CFO respectively. Leadership changes, no matter how well executed and communicated, can be a source of concern for employees and investors.

While Mike and I have different backgrounds than our predecessors Parkland's strategy remains to:

1. **Grow** – Grow the fuel marketing business through accretive acquisitions and organic growth;
2. **Supply** – Exercise Parkland's supply management capabilities to achieve a material supply advantage over other independent fuel marketers; and
3. **Operate** – Deliver outstanding customer service while achieving low transaction costs, an excellent safety record, and strong business integration capabilities.

Our mandate is to deliver value to our shareholders through effective execution of this strategy. Here is how we did this in 2011, and how we will continue to do it in 2012.

GROW

The first pillar in Parkland's strategy is to profitably grow the Company's fuel volumes through accretive acquisitions and organic growth. Our goal is to grow our annual fuel sales to 7 billion litres, or approximately 10% of the Canadian fuel marketplace. This year we delivered 19% growth by selling 4.2 billion litres of fuel, representing approximately 5.2% of Canada's fuel marketplace. The Canadian fuel marketplace is in the process of consolidating, and as Canada's largest independent fuel marketer, we are uniquely positioned to participate in this process.

Organic Growth

Organic growth is the net effect of sales activities, customer service, customer retention, network growth capital and economic activity in our markets. Our ability to grow organically is evidenced by the 6.4% organic growth rate that we accomplished for fuel volumes in 2011, more than double the industry average. While some of this is attributed to higher economic activity, we know our sales teams are making key wins in the field, and our customer service initiative is leading to higher customer referrals and retention.

This is the result of the hard work and diligence of Parkland employees, and I want to thank them for their ongoing efforts. In 2012, we will continue to invest in our sales force to ensure they have the right training supported by the right tools in order to win in the field.

Approach to Acquisitions

We are constantly looking at fuel marketing assets across Canada whether they are owned by independent companies or major refiners. In order to make these acquisitions accretive to our shareholders, we endeavour to pay competitive multiples. The multiple we will pay depends on our assessment of the existing business; our belief in the ability to grow the business, the long-term sustainability of the business, and our assessment of existing risk factors. As a disciplined acquirer our mandate is to ensure that our acquisitions are accretive to our shareholders which means that, sometimes, we have to walk away from potential deals.

One of the advantages we have when it comes to making acquisitions is our access to capital. On June 2, 2011, we closed an $86.3 million bought deal equity financing at $12.10 per share that was oversubscribed thanks to investors like you.

We used the proceeds to fund our acquisition of Cango and prepare for future opportunities.

We will finance future acquisitions with a mix of debt, equity, and the proceeds of our Premium Dividend™ and dividend reinvestment plan. Our long-term target for debt is to be below three times Net Debt to EBITDA.

Cango

When we acquired Cango in June it supplied more than 400 million litres of petroleum products to a network of 155 retail sites including 126 dealers. Of these, 80 were Esso branded through Cango's Retail Branded Distributer agreement with Imperial Oil. Since our acquisition, we have worked to optimize this network in the same way we do with our traditional retail network.

While we accepted some risk with this transaction by acquiring the shares of Cango, that risk was factored into the price, and there are also land assets associated with the network that we expect to monetize. Cango is an example of an exclusive process in which we worked with the vendor over time to develop a win/win solution for both parties.

When independent fuel marketers look for a partner to help with their succession plans, as experienced acquirers we are able to simplify the process, minimize business disruption, and preserve the relationship with both employees and customers. Vendors have an opportunity to participate in Parkland's growth when they take back Parkland equity, and their employees have the opportunity to grow with a dynamic nationwide company.

Building the refiners' understanding in our value proposition

At Parkland, we want to deliver value to Canadian refiners by partnering with them to grow their downstream marketing channels for refined products. We simplify their billing and collections through a consolidated customer base, grow their business, and save them money. We have the track record to demonstrate that we can deliver on this commitment.

We're a transparent and credit worthy company that can take care of the hassle of dealing with many small customers. I believe that there is value in that. I think that there is an opportunity to continue to build great partnerships with Canada's major refiners, and we will continue to work closely with them to realize that opportunity.

The Acquisition Pipeline

The pipeline of acquisition opportunities is still incredibly active, and we have a highly capable and proven corporate development team evaluating and executing on these opportunities. We're ready for more growth. The opportunities are out there, and we are pursuing them.

SUPPLY

Parkland's supply team is led by Jane Savage, a chemical engineer by trade, who comes to Parkland with 22 years of experience in refining, supply and trading. She is leading the effort to negotiate new supply contracts and institute better supply management practices

We have set an aggressive target to replace a significant portion of the historic contribution of the supply contract with Suncor. We are on track to do this by 2014 through three sources of sustained profit which we call supply levers.

These include:

1. **Negotiating supply contracts** appropriate to the scope and breadth of Parkland's operations across Canada;
2. **Superior operational** management to maximize the value of our contracts; and
3. **Using our terminal** assets to increase supply security and optionality.

Jane and her team have been aggressively working on the first two "levers," and were successful in 2011 in generating significant sustainable value.

By the fourth quarter of 2012, we will be able to use the third lever when the Bowden terminal conversion is scheduled to be complete and the terminal opens for business. Bowden will enhance Parkland's storage and supply capability for Western Canada, and will also be available for third parties to lease tankage for the storage of petroleum products. Parkland will also look for other terminal opportunities in other supply orbits across Canada.

As for replacing the fuel volumes, we are confident that we will be able find suppliers for the fuel, and we are already in negotiations.

OPERATE

When we talk about "operating" what we are really saying is "superior customer service delivered safely and cost effectively." This is the third pillar in Parkland's strategy.

Health, Safety and the Environment

Parkland's primary business of selling and transporting fuel products and other dangerous goods has an inherent degree of risk. As a fuel company, safety and environmental protection must be among our top priorities, and we are committed to protecting employees, customers and the environment through safe work practices.

As part of this commitment, Parkland has an established Health, Safety & Environment (HSE) program designed to manage and mitigate risks. Parkland provides training to its staff to mitigate these risks and has response procedures to deal with emergency situations. We also provide safety bonuses for employees in higher risk roles to encourage and reward the safe performance of their duties.

Safety must be our priority in all of our operations and activities, and it will be a significant focus for Parkland in 2012 as we continue ensuring safety is part of our corporate culture.

Integration Capability

While growing is one of our strategic pillars, we create value after an acquisition by integrating and operating effectively. Our Corporate Development team manages the integration process and utilizes an acquisition and integration road map to ensure that no value source is missed.

In general, there are three things that we do that generate value for our investors after an acquisition:

1. **We transfer** the acquired company onto our supply contracts;
2. **We make** operational changes which improve efficiency and margins; and
3. **We integrate** the new company onto Parkland's back office platform.

There is always room to improve, and while we are practiced acquirers, we learn from each acquisition how to better integrate companies, their employees, and their customers in a manner that enhances value for our shareholders.

Balance Sheet

Parkland's balance sheet improved significantly in 2011 with the ratio of Net Debt to EBITDA dropping to 2.26 compared with 4.37 at the end of 2010. This is the net result of our positive cash flow being used to pay down debt.

We have made significant headway in reducing the working capital requirements of our business through tighter terms and better management. As a result of our initiatives to collect payables more effectively, we have reduced our day sales outstanding by 11% to 23.8 days in the fourth quarter of 2011, compared with 26.6 days in the fourth quarter of 2010.

We also have greater flexibility and efficiency in our balance sheet with the new $450 million revolving credit facility that we signed on June 30, 2011. This facility, which can be extended, has terms that are more flexible than our previous facility, and is expected to save Parkland $6 million in interest expenses annually.

2012 Strategic Cost Initiative

Mike Lambert recently kicked off Parkland's strategic cost initiative which utilizes cost champions throughout the organization to identify opportunities for savings. This project, called **"Give me Five!"** in reference to our 5% cost reduction target in specific areas, is a process that trains our own staff on techniques to improve efficiencies and simplify the business.

The results of cost reductions are reflected in our net unit operating costs, operating expenses, and marketing, general, and administrative expenses on a cents per litre basis.

Capital Management

Starting with the fourth quarter of 2011, you will see another new measure adopted by Parkland to promote better management. Return on capital employed ("ROCE") will become a part of our management's measurement program to ensure decisions that promote higher returns are supported by the appropriate incentives.

The average ROCE increased to 13% for the five quarters ending December 31, 2011 compared with 7.6% for the five quarters ending December 31, 2010. ROCE represents the effectiveness of our organization at creating value with the capital it manages, and in 2011 we delivered a better return than we did in 2010.

In 2012, we will prioritize capital for opportunities that provide high ROCE and divest or shut down low ROCE operations.

Focus on Core Business

In August, we strengthened the focus on our core business of fuel marketing by divesting our long-haul transportation division to Seaboard Liquid Carriers Ltd. ("Seaboard") for $23.5 million. The divestiture of the trucking fleet resulted in savings, and we are very happy with the service we are receiving from Seaboard.

2011'S MISSES AND DISAPPOINTMENTS

In any given year, there will always be misses and disappointments. I have always believed that it is best to acknowledge these frankly, and deal with them directly. In many instances, they also represent opportunities for the upcoming year. Here are the things that went wrong in 2011, or that we could have done a better job at:

The Malahat Fuel Spill

In April 2011, one of our Columbia Fuel Trucks was involved in an incident on the Malahat highway of Vancouver Island. While no one was seriously injured in the incident, approximately 41,700 litres of gasoline and 560 litres of diesel fuel were spilled. Some of this fuel entered the Goldstream River.

Parkland's Emergency Response Plan was activated immediately following the incident and we promptly brought in a team of environmental assessment and remediation experts to begin the clean-up and remediation process.

Parkland continues to work closely with provincial and federal authorities, local First Nations, biologists and others that were affected with the goal of remediating the accident site. We are pleased to see continuing good progress resulting from these remediation efforts, and that the fall salmon run appeared to be unaffected.

Bowden Terminal
The Bowden terminal isn't as far along as we thought it would be by now, and we've missed some opportunities as a result. The primary reason for the delay is that it took us some time to get the right contract in place with our engineering, procurement, construction and management firm. While this was an important part of our due diligence, it meant that we missed the summer construction season in 2011. As a result, we were unable to utilize the terminal in 2011, which would have been extremely beneficial during the diesel supply disruption that occurred in the fourth quarter across Western Canada. We are back on track, and expect to have the terminal functioning by the fourth quarter of 2012.

Advanced functionality of Parkland's ERP System
Following the challenges associated with Parkland's enterprise resource planning system ("ERP") in 2010, we stabilized our back office in 2011 and began to use the information from the ERP to:

1. **Create** a clearer picture of our spending;
2. **Consolidate** our buying power to achieve lower costs; and
3. **Re-engineer** business processes for greater efficiency.

However, we have not reaped the full benefit of the system, and haven't made as much progress as we had hoped for in 2011 towards optimizing the system, and realizing the advanced performance management functions that ERP systems can provide.

In 2012, we will work towards realizing greater benefits from the system, and enhancing our performance. We have the tools in place to become a more efficient organization, now we need to use them to a greater extent.

Commercial integration of Western Assets
In 2011, we had planned to have all of our commercial assets in the West fully integrated and operating as a cohesive business division. For a variety of reasons, we did not complete the integration. Our primary goal was, and still is, to standardize and simplify our processes, and until we fully integrate all of the Western assets in our Commercial Fuel Group, we will be less efficient than we could be. I expect our team to concentrate on this in 2012, and get this over the goal line.

ONE PARKLAND TEAM

Parkland's success will be driven by the talented group of leaders that we assembled at the senior level and throughout the organization in 2011. This is a dedicated group of capable professionals that come from a mix of industry and other professional backgrounds that have the unique capabilities to make Parkland even better. The exciting opportunities we have as an organization would not be possible without this group of talented leaders and the dedication of our employees.

What people often forget is that today's Parkland is a new company. Sure, we have been around for more than 50 years, but we have more than doubled in size since 2007 through the acquisition of a number of commercial fuel companies. These acquisitions have been transformative, taking a regional retail fuel marketer from Alberta, and turning it into a nationwide marketer and distributer of fuel and lubricants with retail, commercial, and wholesale offerings.

With this transformation has come change. And while change can be frightening to some and challenging to others, change is an essential element to our everyday lives that leads to new growth and opportunities (both personally and professionally). In today's world, change cannot be avoided. As employees and leaders, we need to embrace change so that Parkland becomes a stronger organization that can take advantage of the growth opportunities that we have before us.

Since becoming CEO, one of my jobs has been to bring focus to building One Parkland Team: a team of employees and leaders coast-to-coast working together to take our family of businesses and turn them into the nationwide fuel marketing powerhouse that I know Parkland can be. While this will always be a work in progress as Parkland makes new acquisitions, we have made great progress within our existing family.

Our employees are our strength. The majority of our employees are shareholders of Parkland through our employee share purchase program. In fact, they represent one of the largest blocks of owners in the Company. They, like you, are shareholders and are working every day to create value. Having employees that are owners is, in my mind, key to being a results driven organization.

I want to thank Parkland's employees for a great year in 2011, and encourage them to embrace even greater success in 2012. The opportunities before us are exciting, and my commitment to every Parkland employee is that if you seize that opportunity, take ownership, work as a team, and show respect to customers and colleagues, you will have the opportunity to grow with an exciting and dynamic community focused on winning.

LOOKING AHEAD

Together, we have the opportunity to further consolidate the Canadian downstream marketplace in a manner that benefits every stakeholder. In the process, we will continue to create value for our shareholders by operating in a safe and effective manner; build our business by delivering industry leading customer service; and provide inspirational leadership that is fair, respectful, and transparent to our employees.

I am excited by the opportunities ahead of us and I am looking forward to demonstrating the results of our plan in motion in 2012.

Sincerely,

Bob Espey

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Management's Discussion and Analysis

Management's Discussion and Analysis ("MD&A") provides a comparison of Parkland Fuel Corporation's (the "Corporation") and Parkland Income Fund's (the "Fund") and together their ("Parkland") performance for the three and twelve month period ended December 31, 2011 with the three and twelve month period ended December 31, 2010. This MD&A reflects Parkland's adoption of International Financial Reporting Standards ("IFRS") as of January 1, 2011. Comparative periods in 2010 have been restated in accordance with IFRS, including the January 1, 2010 transition date balance sheet ("Transition Date"), however, periods prior to January 1, 2010 have not been restated and are reported in accordance with Canadian GAAP before the adoption of IFRS ("Previous GAAP"). Financial statements commencing March 31, 2011 onward will be prepared in accordance with IFRS. Note 5 of the audited consolidated financial statements year ended December 31, 2011 contains a detailed reconciliation of Parkland's financial statements prepared under Previous GAAP to those under IFRS for the year ended December 31, 2010 as well as the balance sheets as of these dates and the opening transition date of January 1, 2010. This discussion should be read in conjunction with the audited financial statements and accompanying notes for the year ended December 31, 2011 and the Corporation's Annual Information Form dated March 6, 2012. This MD&A includes discussion of Parkland's affairs up to March 6, 2012. All amounts disclosed are in Canadian dollars, unless otherwise noted. Certain amounts in prior years have been reclassified to conform to the current year's presentation.

Prospective data, comments and analysis are also provided wherever appropriate to assist existing and new investors to see the business from a corporate management point of view. Such disclosure is subject to reasonable constraints of maintaining the confidentiality of certain information that, if published, would potentially have an adverse impact on the competitive position of Parkland.

Additional information relating to Parkland can be found at www.parkland.ca. The Corporation's continuous disclosure materials, including its annual and quarterly MD&A, audited annual and unaudited interim financial statements, its 2011 Annual Report, Annual Information Form, Management Information Circular and Proxy, Material Change Reports and the various news releases issued by the Corporation are also available on its website or directly through the SEDAR system at www.sedar.com.

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Caution Regarding Forward-Looking Statements

Certain information included herein is forward-looking. Forward-looking statements include, without limitation, statements regarding the future financial position, business strategy, budgets, projected costs, capital expenditures, financial results, taxes, effectiveness of internal controls, sources of funding of growth capital expenditures, anticipated dividends and the amount thereof, if any, to be declared by Parkland Fuel Corporation, expectations regarding the use or improvement of Parkland's new ERP system (as defined herein), and plans and objectives of or involving Parkland. Many of these statements can be identified by looking for words such as "believe", "expects", "expected", "will", "intends", "projects", "projected", "anticipates", "estimates", "continues", or similar words and include, but are not limited to, statements regarding the accretive effects of acquisitions and the anticipated benefits of acquisitions. Parkland believes the expectations reflected in such forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements should not be unduly relied upon. Forward-looking statements are not guarantees of future performance and involve a number of risks and uncertainties some of which are described in Parkland's annual report, annual information form and other continuous disclosure documents. Such forward-looking statements necessarily involve known and unknown risks and uncertainties and other factors, which may cause Parkland's actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. Such factors include, but are not limited to: general economic, market and business conditions; industry capacity; competitive action by other companies; refining and marketing margins; the ability of suppliers to meet commitments; actions by governmental authorities including increases in taxes; changes in environmental and other regulations; and other factors, many of which are beyond the control of Parkland. Any forward-looking statements are made as of the date hereof and Parkland does not undertake any obligation, except as required under applicable law, to publicly update or revise such statements to reflect new information, subsequent or otherwise.

Parkland wishes to caution readers not to place undue reliance on any forward-looking statements, which speak only as of the date made. Readers should also refer to the section **Business Risks** at the end of this MD&A and in the 2011 Annual Information Form for additional information on risk factors and other events that are not within Parkland's control. Parkland's future financial and operating results may fluctuate as a result of these and other risk factors.

Executive Summary

Parkland delivered strong earnings and fuel volume growth in 2011. Organic growth of 6.4% during 2011 exceeded industry norms, and indicates that sales teams are winning new business. The ongoing focus to drive improved margins, reduce costs, and pursue a comprehensive and highly disciplined growth strategy is expected to drive increased earnings and keep Parkland well positioned to sustain its dividend.

During the fourth quarter, Parkland's operating divisions effectively managed through a series of unexpected and acute disruptions in diesel supply in western Canada, unseasonably warm weather in eastern and central Canada, and softening refiners' margins. Despite this adversity, the Parkland team achieved modest organic volume growth during the quarter.

2011 OPERATIONAL HIGHLIGHTS:

Grow

- Island Petroleum, Cango, Save on Foods and Bluewave contribute approximately 0.4 billion litres in 2011;
- Fuel marketing divisions deliver 6.4% organic growth in fuel volumes for 2011; and
- Balance sheet primed for growth with $86.3 million equity financing in June 2011 and 70% participation in Premium Dividend™ and Dividend Reinvestment Plan.

Supply

- Refiners' margins were strong in 2011; and
- Supply management initiative is on plan and generating profits independent of Suncor contract.

Operate

- $450 million revolving credit facility, expected to save $6 million in interest expenses annually, was signed June 30, 2011;
- 11% reduction in Days Sales Outstanding in fourth quarter 2011, compared to the same period in 2010; and
- Focus on core business leads to sale of long-haul trucking division for $23.5 million on August 13, 2011.

Consolidated Highlights

(in millions of Canadian dollars, except volume and per Share/Unit amounts)	Three months ended December 31, 2011	2010	% Change	Year ended December 31, 2011	2010	% Change
Income Statement Summary:						
Sales and operating revenues	1,014.3	824.6	23	3,980.5	2,891.2	38
Gross profit	103.1	95.3	8	408.4	316.2	29
Operating costs	44.5	41.0	9	172.7	138.8	24
Marketing, general and administrative	22.4	20.0	12	86.9	78.2	11
Depreciation and amortization expense	16.7	16.8	(1)	68.4	62.9	9
	19.5	17.5	11	80.5	36.2	122
Customer finance income	(0.7)	(0.6)	17	(2.8)	(1.5)	87
Finance costs	10.5	8.8	19	36.7	27.4	34
Gain on disposal of property, plant and equipment	(1.1)	(0.5)	120	(15.9)	(3.1)	413
Unrealized risk management loss	0.9	-		0.9	-	
Earnings before income taxes	9.8	9.8	-	61.6	13.5	356
Income tax expense (recovery)	2.4	(1.9)	N/A	17.7	(13.4)	N/A
Net earnings	7.4	11.7	(37)	43.9	26.8	64
Net earnings per share/unit (Note 6 in financial statements)						
- Basic	0.12	0.22	(45)	0.74	0.52	43
- Diluted(3)	0.12	0.21	(43)	0.73	0.44	65
Non-GAAP Financial Measures:						
EBITDA(1)	36.0	34.9	3	150.8	100.6	50
Distributable cash flow(1)(2)	26.5	26.4	0	126.5	67.0	89
Distributable cash flow per share (1)(2)	0.41	0.50	(17)	1.97	1.26	56
Dividends/distributions	16.3	15.2	7	60.5	59.8	1
Dividend/distribution to distributable cash flow payout ratio	61%	57%		48%	89%	
Key Metrics:						
Fuel volume (millions of litres)	1,096.0	981.0	12	4,161.0	3,500.0	19
Return on capital employed (ROCE)				13.0%	7.6%	
Net unit operating cost (NUOC)(1)	3.52	3.21	10	3.82	3.41	12
Employees	1,267	1,561	(19)	1,267	1,561	(19)
Fuel Key Metrics - Cents per litre:						
Average Retail fuel gross profit	5.04	4.92	2	5.08	5.27	(4)
Average Commercial fuel gross profit	8.61	8.51	1	8.51	8.38	2
Operating costs	4.06	4.18	(3)	4.15	3.97	5
Marketing, general and administrative	2.04	2.04	0	2.09	2.23	(7)
Depreciation and amortization expense	1.52	1.71	(11)	1.64	1.80	(9)
Liquidity and bank ratios:						
Net Debt: EBITDA(1)				2.26	4.37	
Senior Debt: EBITDA(1)				1.32	2.96	
Interest coverage(1)				3.34	1.22	

(1) Please refer to the Non-GAAP Measures section in the MD&A for definitions.
(2) Please see Distributable Cash Flow reconciliation table in the MD&A.
(3) Diluted earnings (loss) per share/unit can be impacted by an anti-dilutive impact of conversion of the debentures.
Quarterly diluted earnings (loss) per share/unit may therefore not accumulate to the same per share/unit value as the year-to-date calculation.

Who We Are

Parkland Fuel Corporation is Canada's largest independent marketer and distributor of fuel and lubricants, managing a nationwide network of sales channels for retail, commercial, wholesale and home heating fuel customers.

Parkland endeavours to be Canada's most effective and efficient marketer and distributor of refined petroleum products by:

- Fuelling Canadian communities through local operators that make it their priority to build lasting relationships with their customers; and
- Delivering measurably superior customer service by being responsive, accurate and accountable to customers every day.

Parkland delivers value to Canadian refiners by assisting them in managing their downstream marketing channels, simplifying their billing and collections through a consolidated customer base, growing their business, saving them money while protecting and promoting their brands.

Parkland is the bridge that connects Canadian refiners to Canadian communities, with a local focus that grows business.

RETAIL FUEL

Parkland Retail Fuels supports a network of more than 700 retail service stations that serve Canadian motorists from coast to coast.

Parkland is a Retail Branded Distributor for Imperial Oil Limited with locations in British Columbia, Alberta, Saskatchewan, and Ontario operating under the Esso brand. Parkland also maintains two proprietary brands: Fas Gas Plus and Race Trac.

COMMERCIAL FUEL

Parkland Commercial Fuels is a nationwide operation serving commercial, industrial and residential customers. This division delivers bulk fuel, propane, heating oil, lubricants, agricultural inputs, oilfield fluids and other related products and services to commercial, industrial and residential customers through an extensive nationwide delivery network.

Parkland Commercial Fuels' family of successful brands includes: Bluewave Energy, Columbia Fuels, Great Northern Oil, Neufeld Petroleum & Propane, United Petroleum Products, Island Petroleum and Race Trac cardlock locations.

WHOLESALE, SUPPLY AND DISTRIBUTION

Parkland Wholesale, Supply and Distribution is responsible for managing Parkland's fuel supply and inventory, which includes the purchase of fuel from refiners, distributing fuel via third party long-haul carriers and railways, and serving wholesale and reseller customers.

Fuel supply contracts are maintained with eight oil refiners and in some cases include minimum volume requirements for certain agreements. This portfolio of contracts allows Parkland to obtain fuel supplies at highly competitive prices and enhances the security of the Corporation's fuel supply.

This Supply team is focused on enhancing profits through management of its supply portfolio. This area includes negotiating supply contracts appropriate to the scale of Parkland's operations, superior operational management to maximize the value of these contracts, and leveraging Parkland's terminal assets to increase supply security and optionality.

The Wholesale team is focused on building a flexible wholesale portfolio to achieve the right mix between volume, margin, and payment terms.

Parkland is in the process of converting its refinery storage into a terminal with a 200,000 barrel storage capacity in Bowden, Alberta. The rail siding and rail car unloading station have now been installed. Construction continues on retrofitting the facility with a new loading station for long-haul and short-haul fuel transport trucks, piping and pumping capacity. The terminal is expected to be active in the fourth quarter of 2012 and will enhance Parkland's supply options.

PARKLAND'S VALUES

- Integrity – We will always do the right thing;
- People – Respect the needs of customers, employees and others;
- Teamwork – Achieve greater results by working together; and
- Success – Set and achieve challenging goals.

INVESTING IN PARKLAND

Clear growth strategy

Parkland is a growth company in an industry that has experienced a trend of consolidation. The Corporation is well positioned to assist other independent fuel marketers looking for a partner to help with their succession plans, and major refiners looking for a partner to help steward and grow their downstream marketing channels. During and after the acquisition process, Parkland works with these partners to serve their customers, care for their employees, and grow their business. This is how Parkland intends to deliver value to its partners and investors.

Dividend yield

Since becoming an income trust in 2002, Parkland's board of directors have held a strong conviction about the importance of distributing Parkland's profits to its shareholder base. When the trust converted to a corporation at the end of 2010, Parkland continued with this strategy through an annual dividend of $1.02 per share that is paid monthly.

Focus

As the largest Canadian independent fuel marketer, Parkland has evolved over more than fifty years to become a company focused on downstream fuel marketing. The Parkland team continually strives to learn, improve and evolve in the pursuit of being a premier downstream fuel marketer in Canada.

History of success

As at the period ended December 31, 2011 (%, except as noted)	1 year	3 years	5 years
Total shareholder return	16%	142%	57%
Compound annual total shareholder return	16%	34%	9%
Compound annual growth in fuel volumes	19%	20%	20%
Dividend yield at December 31, 2011	8.0%		
Price to earnings multiple at December 31, 2011	17.15		

Parkland's Strategy

Parkland's ongoing strategy is to:

1) **Grow** – Grow the fuel marketing business through accretive acquisitions and organic growth driven by superior customer service.
2) **Supply** – Exercise Parkland's supply management capabilities to achieve a material supply advantage over other independent fuel marketers.
3) **Operate** – Achieve low transaction costs, an excellent safety record and maintain strong business integration capabilities.

GROW

Consolidating Canada's Fragmented Fuel Distribution Market

Canada's market for diesel, gasoline, and heating oil consumes roughly 78 billion litres of fuel annually through a highly fragmented mix of sales channels that include both large and small independent fuel marketers, as well as the major refiners.

Parkland and its investors have an opportunity to profitably consolidate this market as owners of independents look to monetize their businesses, and refiners look to exit the downstream segment.

Parkland's fuel volumes have grown at a compound annual growth rate ("CAGR") of 20% over the past four years as the Corporation continues to execute on its plan to consolidate downstream petroleum sales volumes through accretive acquisitions. Parkland aims to continue this growth trajectory over the next five years.

There are four primary sources of growth for Parkland:

1) **Acquisition of large independent fuel marketers**
Large independent fuel marketers are defined as those that have annual fuel volume sales between 200 and 1,500 million litres. There are approximately 18 independent fuel marketers remaining in Canada of this size. Parkland's 2010 acquisition of Bluewave Energy and 2011 acquisition of Cango fall into this category.
2) **Acquisition of small independent fuel marketers**
Small independent fuel marketers have annual fuel volume sales of less than 200 million litres. Parkland's 2010 acquisition of Island Petroleum falls into this category.

3) **Acquisition of assets from major Canadian refiners**
Major Canadian petroleum refiners include Imperial Oil, Shell, and Suncor. In some cases, these major refiners are actively divesting parts of their downstream marketing channels. Parkland's recent acquisition of Shell Canada's after-market lubricant business and distribution rights for select markets falls into this category.

4) **Organic growth**
This includes retail gas station upgrades, acquiring new retail dealers, and building new retail and commercial outlets. Organic growth is typically between 2% and 3% annually. However, in 2011, it accounted for a 6.4% increase in fuel volumes.

As the largest independent fuel marketer in Canada, Parkland strives to be the partner of choice when independents or majors look to divest their fuel marketing business.

Parkland intends to continue to be proactive, focused and disciplined in its approach to such acquisitions.

Parkland seeks to make acquisitions that are immediately accretive to cash flow from operating activities, increase fuel sales volumes in strategic markets, build non-fuel profits to enhance the long-term stability of the enterprise, optimize the Corporation's supply contracts, and diversify the customer base.

SUPPLY

Maintaining a Material Supply Advantage
Parkland is the only independent fuel marketer in Canada with a dedicated supply team working to optimize Parkland's supply management. They are tasked with:

1) Negotiating supply contracts that reflect Parkland's total sales portfolio and ability to sell an equal mix of diesel and gasoline;
2) Maintaining a portfolio of contracts and other supply options to ensure Parkland's customers have a secure and reliable source of supply even when supply disruptions occur;
3) Achieving the lowest overall buy price across all of Parkland's markets on a daily and hourly basis; and
4) Building new supply options that enhance supply security and provide throughput options for Canadian refiners such as the Bowden terminal that is under development.

OPERATE

Superior Customer Service Delivered Cost Effectively
Years ago when fuel marketers looked at operational efficiency they moved service delivery to call centres, reduced the number of local operators, and generally reduced customer service to the point of customer attrition. Parkland recognizes that this model of "operational excellence" doesn't work. Desperate for service, customers eventually left to find a provider who could meet their needs.

Parkland has a responsibility to constantly improve, and management believes that there are efficiencies that can be generated without harming the customer relationship simply by adopting better practices, avoiding wasteful practices, and taking advantage of current technologies. By taking advantage of this opportunity, Parkland believes it will be able to generate more value for investors, employees, and customers. In 2012, Parkland launched the strategic cost initiative to identify and capture these opportunities.

Parkland's ability to integrate newly acquired companies is also a part of how the Corporation achieves new efficiencies. The acquisition process allows Parkland to identify value and then realize it. Parkland achieves efficiencies by leveraging its supply portfolio, executing on customer revenue growth opportunities, and reducing the back office burden.

Operating effectively in the fuel marketing industry also means operating in a safe, prudent, and responsible manner. In 2011 and into 2012, Parkland has invested in new leaders and employees to make major strides in this area, renewing the drive to instill a focus on safety in the culture across Parkland.

By operating effectively through robust integration and reducing waste, Parkland plans to increase its transactional efficiency.

Core Capabilities

Parkland is Canada's largest independent fuel marketer. While the Corporation's reach is national, the service is local. Parkland has evolved over more than fifty years to become a corporation completely focused on downstream fuel marketing. Through constant learning, improvement and evolution Parkland is striving to become the best downstream fuel marketing business in Canada. Parkland is unique in this.

Parkland's core capabilities include:

- National reach and scope that allows it to see opportunities between markets that other independents can't see;
- A diverse portfolio of regional markets and products that protect it against the risk of competitive, operational and environmental disruptions in any one market;
- The scale to have a dedicated supply team. This is unique in the field of independent fuel marketers, and allows Parkland to secure economic benefit from its supply portfolio;
- Supply security through a portfolio of contracts with eight refiners across Canada; and
- Distribution channels that provide a balanced sales portfolio of gasoline and diesel which provide a competitive supply advantage;

Parkland is the bridge that connects Canadian refiners to Canadian communities, with a local focus that grows business.

Key Performance Drivers

VOLUMES

Volumes, not revenues, are the "top line" number to watch in Parkland's results. Costs and margins are driven on a per litre basis. Revenues, assuming volumes are static, are driven by the price of crude and by extension the wholesale price for fuel charged by the refiners.

It is possible for fuel volumes to grow, and profits to increase, even as revenues diminish.

PROFIT MARGINS ON A CENTS PER LITRE BASIS

Margins in the fuel marketing divisions are provided on a cents per litre or "cpl" basis. Margins contract and expand based on competitive conditions, seasonality, demand, and supply availability. Margins on a per litre basis determine the profitability of Parkland's business.

SUPPLY COSTS

Supply costs show up in the Wholesale, Supply and Distribution Division. Achieving lower costs in supply results in increased profit in this division as Parkland charges the marketing divisions a transfer price over and above the fuel purchase price of the Wholesale, Supply and Distribution Division.

OPERATING COSTS ON A CENTS PER LITRE BASIS

Parkland controls two types of costs: Marketing, general and administrative ("MGA") and Operating costs ("Opex"). Monitoring these costs on a cents per litre basis provides investors with information about the progress Parkland is making on achieving transactional efficiency.

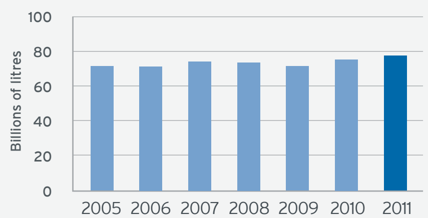
PUTTING IT ALL TOGETHER

Parkland currently markets more than four billion litres of fuel across Canada. At this scale, achieving an efficiency or margin improvement of one-tenth of one cent would deliver $4.0 million in increased EBITDA.

Economic Developments and Outlook

The market for gasoline, diesel and light fuel oil in Canada is roughly 78 billion litres annually and is demonstrably stable even during tough economic times.

Total Canadian Fuel Sales
(in billions of litres)



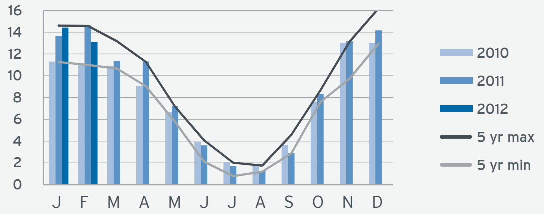
Canadian Fuel Market
The market for diesel, gasoline, and light fuel was 77 billion litres for the trailing twelve months ending September 30, 2011.
Source: Statistics Canada CANSIM: v22455, v23190, v23428

The Canadian fuel marketing industry is relatively agnostic to the world economy, and is driven primarily by population, weather and Canada's resource extraction industries.

WEATHER

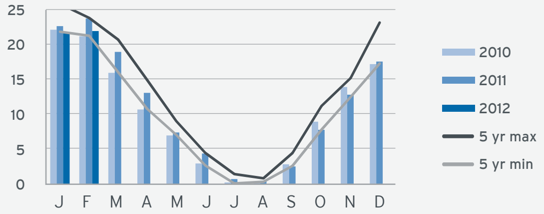
Cold weather drives the sale of heating oil. While the West coast of Canada is currently having a normal to cooler than normal winter, the East coast is significantly warmer than normal. Environment Canada expects warm weather to continue for much of Eastern Canada for the next three months.

Victoria International Airport
Average Daily Heating Degree Days



Victoria, BC – Heating Degree Days
Heating degree days ("HDD") are a measure of energy demand. Higher values indicate cooler temperatures. Temperatures on the West Coast have been normal to cooler than normal, as reflected in this graph of average heating degree days for the Victoria Airport.

Halifax International Airport
Average Daily Heating Degree Days



Halifax, NS – Heating Degree Days
Temperatures on the East Coast have been higher than normal, with HDD dipping to the lowest point in five years for three consecutive months during the fourth quarter of 2011. By contrast, in 2010, HDD was at a five-year maximum in the months of October and November.

Heating Degree Days – Definition
Heating degree days (HDD) correlate to the demand for energy needed to heat homes or businesses. The heating requirements for a given structure at a specific location are considered to be directly proportional to the number of HDD at that location. Heating degree-days for a given day are the number of Celsius degrees that the mean temperature is below 18°C. If the temperature is equal to or greater than 18°C, then the number will be zero. For example, a day with a mean temperature of 15.5°C has 2.5 heating degree-days; a day with a mean temperature of 20.5°C has zero degree-days. Heating degree-days are used primarily to estimate the heating requirements of buildings.

Heating degree day data for Victoria and Halifax is shown in the graphs above. Heating Degree Day data is available for all Canadian markets at: www.climate.weatheroffice.gc.ca/climateData/canada_e.html

Monthly and seasonal forecasts are available through Environment Canada at: www.weatheroffice.gc.ca/saisons/index_e.html

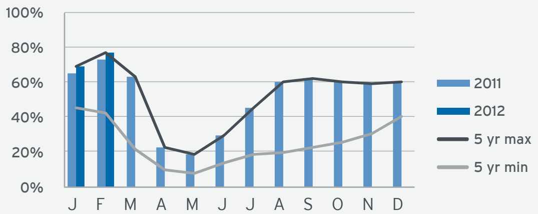
RESOURCE INDUSTRY

Canada's resource sector drives commercial sales and, indirectly, also drives retail sales. Drilling activity is used as a proxy for the health of Canada's resource sector.

In western Canada, oilfield activity remained strong despite warmer conditions and low natural gas prices. For the three months ended December 31, 2011, the Canadian Association of Oilwell Drilling Contractors (CAODC) reported an average rig utilization rate of 61% compared with 50% for the same period in 2010. Activity in 2012 remains robust despite lower natural gas prices. In January and February 2012, the CAODC reported an average rig utilization rate of 74% compared with 70% for the same period in 2011.

A review of oil and gas well completion data demonstrates that Canadian drilling activity is now dominated by oil wells, which make up more than 62% of completions compared with gas wells at 28%. This makes the oil well drilling industry less vulnerable to swings in natural gas prices. Management believes that oilfield activity will remain robust as long as oil prices remain strong.

Canadian Rig Utilization

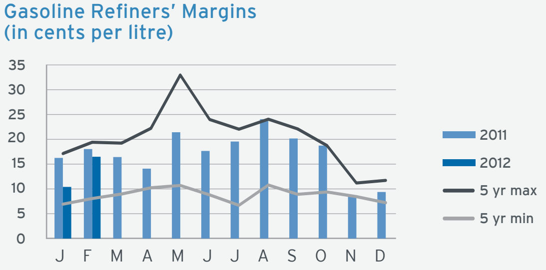


Canadian Rig Utilization
Average monthly rig utilization is shown above and is used as a proxy for the health of Canada's resource industry. Rig counts are publically available through the CAODC: www.caodc.ca/statistics/rigcounts.html

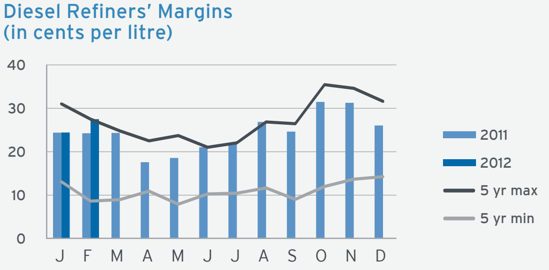
REFINERS' MARGINS

Parkland currently purchases approximately one billion litres of fuel from Suncor annually under an agreement that is priced using a formula that allows Parkland to share in a portion of refiners' margins. Due to the volatile nature of refiners' margins, and their impact on Parkland, it is useful to monitor this data.

Refiners' margins can be calculated using information from the Kent Marketing Group: www.kentmarketingservices.com



Gasoline Refiners' Margins
Edmonton gasoline refiners' margins are approximated by subtracting the wholesale prices charged by refiners in Edmonton from the cost of crude on a cents per litre basis.



Diesel Refiners' Margins
Edmonton diesel refiners' margins are approximated by subtracting the wholesale prices charged by refiners in Edmonton from the cost of crude on a cents per litre basis.

Consolidated Financial Review

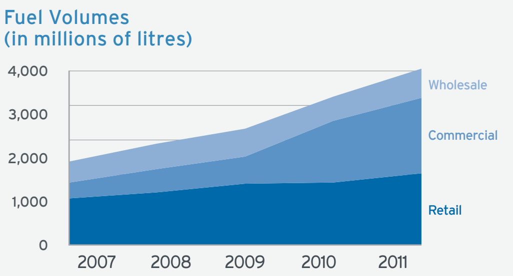
FUEL VOLUMES

Q4 2011 vs. Q4 2010

Fuel volumes increased 115 million litres or 12% to 1,096 million litres in the fourth quarter of 2011 from 981 million litres in the prior year. This increase was the result of the acquisitions of Cango, Island Petroleum, seven gas bars from Save on Foods, and organic growth in Commercial Fuels, partially offset by warmer temperatures across the country which decreased the demand for fuel.

Total Year 2011 vs. 2010

Fuel volumes for the year ended December 31, 2011 increased 19% to 4.2 billion litres from 3.5 billion litres in the prior year primarily from the addition of approximately 0.4 billion litres in acquired volumes and 6.4% organic fuel volume growth.



Fuel Volumes
Fuel volumes have increased through a combination of acquisitions (predominantly commercial fuel acquisitions) and organic growth. While organic growth has historically provided volume increases in the range of 2% to 3% annually, in 2011 this area of growth accounted for a 6.4% increase in volume.

REVENUE

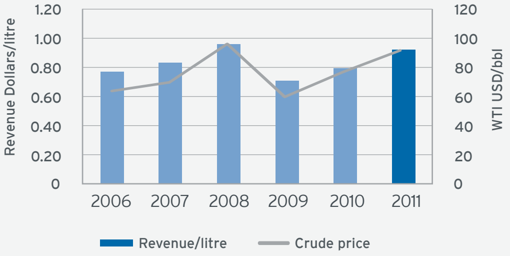
Q4 2011 vs. Q4 2010

Sales and operating revenue for the three month period ended December 31, 2011 increased by 23% to $1.0 billion compared with $0.8 billion during the fourth quarter of 2010. This is due to the 12% increase in fuel volumes previously discussed, as well as a result of the increase in the cost of crude oil and refined product. Revenue per litre increased 8 cents, or 10% per litre from the fourth quarter of 2010 to the fourth quarter of 2011. There is a strong correlation between revenue and the price of crude. Revenue fluctuates with changing commodity prices. Changes in volume have a more direct impact on profitability, whereas changes in revenue impact working capital and Return on Capital Employed ("ROCE").

Total Year 2011 vs. 2010

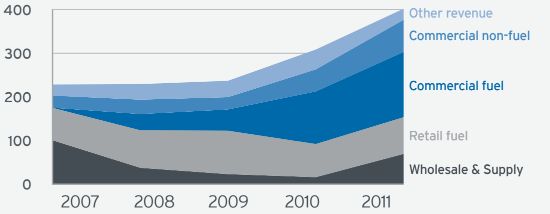
Sales and operating revenue for the year ended December 31, 2011 increased by 38% to $4.0 billion compared with $2.9 billion for the year ended December 31, 2010. This is due to the 19% increase in fuel volumes in 2011 versus 2010, in addition to the increase in fuel prices. Revenue per litre increased 13 cents, or 16%, per litre from 2010 to 2011.

Revenue/Litre vs. Crude Price



Correlation between Crude Oil Prices and Revenue
Parkland's revenue is driven by fuel volumes, the cost of refined product and, by extension, the price of crude oil. In the absence of large changes in fuel volumes, revenue tends to fluctuate directly with the price of crude. Volumes, gross profit margins, and costs on a cents per litre basis drive Parkland's earnings, whereas changes in revenue impact working capital and ROCE.

Total Gross Profit (in millions of dollars)



The Changing Profit Sources of Parkland
The growth in Commercial fuel and Commercial non-fuel profits have decreased Parkland's reliance on refinery margins, which are included in the Wholesale and Supply division along with profits from wholesale and supply management.

GROSS PROFIT

Q4 2011 vs. Q4 2010

Gross profit for the three months ended December 31, 2011 increased 8% or $7.8 million to $103.1 million compared with $95.3 million for the same period in 2010. Parkland's fuel volumes increased 12% in the fourth quarter of 2011 compared with the same period in 2010. On a product segment basis:

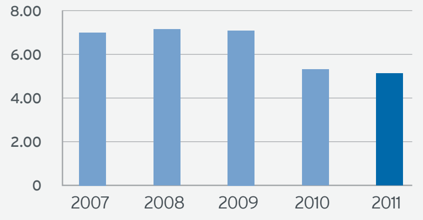
- Fuel gross profit increased 14% or $9.0 million to $74.8 million in the fourth quarter of 2011 compared with $65.8 million in the fourth quarter of 2010. The increase is due to higher volumes through acquisition and organic growth, as well as strong refiners' margins throughout the quarter compared to the fourth quarter of 2010.
- Commercial non-fuel gross profit increased by 26% or $4.9 million to $23.6 million in the fourth quarter of 2011 compared with $18.7 million in the fourth quarter of 2010. The increase in commercial non-fuel gross profit is principally due to increased lubricant sales, assisted by the September 30, 2010 acquisition of the Shell lubricant business and subsequent expansion of this high margin business.
- Other revenue gross profit decreased 56% or $6.1 million to $4.8 million in the fourth quarter of 2011 compared with $10.8 million in the fourth quarter of 2010 due to the sale of the long-haul trucking assets on August 13, 2011 and rationalization of stations within Parkland's Retail network, decreasing convenience and other non-fuel gross profits.

Total Year 2011 vs. 2010

Gross profit for the year ended December 31, 2011 increased by 29% to $408.5 million compared with $316.2 million for the year ended December 31, 2010. Parkland's fuel volumes increased 19% in the twelve months ended December 31, 2011 compared to 2010. On a product segment basis:

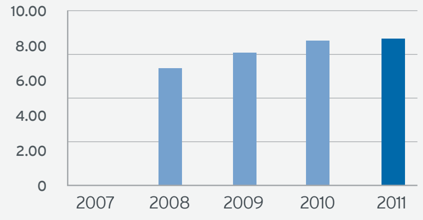
- Fuel gross profit increased 41% or $89.2 million to $307.8 million for the year ending December 31, 2011 compared with $218.6 million for the year ending December 31, 2010. This increase is attributable to fuel volumes increasing by 19% compared with 2010, as well as strong refiners' margins for the first ten months of 2011.
- Commercial non-fuel gross profit increased by 46% or $23.4 million to $74.6 million for the year ending 2011 compared with $51.3 million in 2010. The increase in commercial non-fuel gross profit is due to the quarterly factors described above related to the lubricants business.
- Other revenue gross profit decreased 44% or $20.2 million to $26.0 million for the year ending 2011 compared with $46.3 million for the year ending 2010, as explained above in the quarter.

Average Retail Fuel Gross Profit CPL



Retail Fuel Gross Profit CPL
Retail average fuel gross profit on a cents per litre basis has decreased in recent years. This is partly the result of competitive pressures, but it is also attributable to significant growth in higher-volume, lower-margin dealer business.

Average Commercial Fuel Gross Profit CPL



Commercial Fuel Gross Profit CPL
Commercial fuel gross profit on a cents per litre basis has increased in recent years as a result of a change in mix towards higher margin products.

OPERATING AND DIRECT EXPENSES

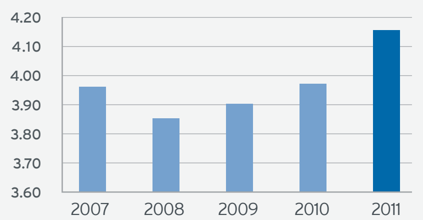
Q4 2011 vs. Q4 2010

Operating and direct costs increased by 9% to $44.5 million (4.1 cpl) for the three months ended December 31, 2011, compared with $41.0 million (4.2 cpl) for the three months ended December 31, 2010. Operating and direct costs were comparable on a cpl basis in the fourth quarter of 2011 compared to the prior year.

Total Year 2011 vs. 2010

Operating and direct costs increased by 24% to $172.7 million (4.1 cpl) in the year ended December 31, 2011, compared with $138.8 million (4.0 cpl) in 2010. Increased commercial volumes due to organic growth and recent commercial acquisitions, increased fuel prices and delivery charges, a $5.0 million charge in the third quarter of 2011 that included aging receivables and other provisions, resulted in an increase of 0.1 cpl for the year ended December 31, 2011 compared with December 31, 2010.

Operating CPL



Operating Expenses on CPL basis
Operating expenses have increased on a cents per litre basis due partly to a change in business mix, with an increase in the portion of commercial fuel and non-fuel sales. Other factors that led to an increase in 2011 included increased fuel prices and delivery charges and a $5.0 million charge in the third quarter of 2011 that included aging receivables and other provisions.

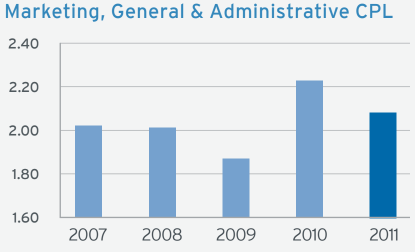
MARKETING, GENERAL AND ADMINISTRATIVE EXPENSES

Q4 2011 vs. Q4 2010

Marketing, general and administrative expenses ("MGA") increased 12% or $2.4 million to $22.4 million (2.0 cpl) in the fourth quarter of 2011 compared with $20.0 million (2.0 cpl) in the fourth quarter of 2010 as a result of $2.8 million in higher expenses for variable employee incentive compensation due to the strong performance of Parkland shares in the equity market.

Total Year 2011 vs. 2010

Marketing, general and administrative expenses increased 11% or $8.6 million to $86.9 million (2.1 cpl) in the year ended December 31, 2011, compared with $78.2 million (2.2 cpl) for the year ended December 31, 2010. While part of this increase was activity related, $3.3 million was expensed in the second quarter of 2011 as the result of one-time expenses relating to management changes and Cango acquisition costs. Strong total shareholder return in 2011 led to variable employee incentive compensation expenses increasing $3.0 million year over year.



Marketing General and Administrative Expenses on a CPL basis
MGA expenses on a cents per litre basis peaked in 2010 as a result of acquiring the overhead expenses of Bluewave and Columbia Fuels, expenses related to converting from a trust to a corporation, and costs related to ERP system implementation. In 2011, MGA costs increased at a slower rate than growth in fuel volumes as a result of effective integration and cost initiatives.

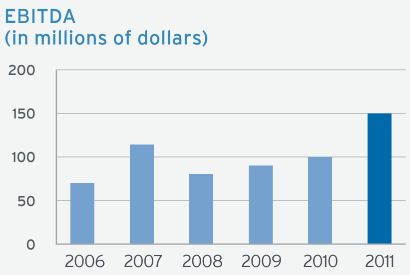
EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTIZATION ("EBITDA")

Q4 2011 vs. Q4 2010

EBITDA for the fourth quarter of 2011 increased by 3% to $36.0 million compared with $34.9 million in the fourth quarter of 2010. The $1.1 million increase in EBITDA is the result of increased volumes in Retail and Commercial Fuels as well as strong refiners' margins for the fourth quarter of 2011 in comparison to the fourth quarter of 2010.

Total Year 2011 vs. 2010

EBITDA for total year 2011 was $150.8 million, an increase of 50% compared with $100.6 million for the year ended 2010, due to strong Retail and Commercial Fuels results and improved refiners' margins compared to the prior year.



EBITDA
Parkland achieved record EBITDA in 2011 due to strong Retail and Commercial Fuels results and improved refiners' margins compared to the prior year. By contrast, strong EBITDA in 2007 was driven predominantly by refiners' margins that were extremely elevated due to refiner disruptions in the Southern United States following Hurricane Katrina.

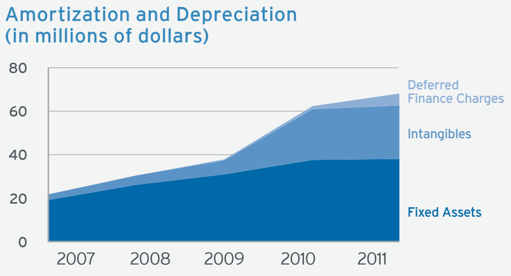
DEPRECIATION AND AMORTIZATION

Q4 2011 vs. Q4 2010

Depreciation and amortization expenses in the fourth quarter of 2011 decreased 0.4% or $0.1 million to $16.7 million compared with $16.8 million in the fourth quarter of 2010. Effective July 1, 2011, the amortization period for customer relationships included in intangible assets has changed. Previous to the start of the third quarter of 2011, Parkland amortized all customer relationships included in intangible assets acquired through acquisition over a five year period. With this change in estimate, effective July 1, 2011 onwards, customer relationships are prospectively amortized over a five to 13-year period. The impact commencing July 1, 2011 is to decrease amortization expense by approximately $3.5 million a quarter or $14.1 million a year.

Total Year 2011 vs. 2010

Depreciation and amortization expenses for the year ended December 31, 2011 increased 9% or $5.5 million to $68.4 million compared with $62.9 million for the year ended December 31, 2010. This is due to increasing amortization of intangible assets arising from the acquisitions of Island Petroleum and Cango, a $4.1 million increase in amortization of deferred finance charges arising from Parkland's credit facility, partially offset by a $7.0 million decrease in amortization due to the change in estimate on customer relationships described above.



Amortization and Depreciation
The chart above shows the breakdown of Parkland's amortization and depreciation by source. The amortization and depreciation expenses attributable to intangible assets have increased substantially since 2009 due in large part to acquisitions that Parkland has made.

FINANCE COSTS

Q4 2011 vs. Q4 2010

Finance costs were $10.5 million in the fourth quarter compared with $8.8 million for the same period in 2010, an increase of 20%. Finance costs relate to interest on long-term debt, interest and accretion on convertible debentures, and accretion on refinery remediation and asset retirement obligations.

Interest on long-term debt for the fourth quarter of 2011 decreased by $4.0 million to $2.3 million versus $6.3 million in the fourth quarter of 2010 due to more favourable lending terms established on Parkland's new revolving extendible credit facility executed on June 30, 2011. Interest and accretion on convertible debentures for the fourth quarter of 2011 was $2.9 million versus $3.1 million in the fourth quarter of 2010.

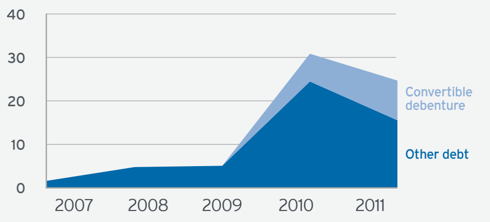
Long-term debt including the current portion has decreased to $231.0 million as at December 31, 2011, down $90.0 million from $321.0 million as at December 31, 2010 primarily due to the $82.6 million net proceeds received from the June 2, 2011 equity raise.

Accretion on the asset retirement obligation increased $3.3 million to $2.6 million in the fourth quarter of 2011 from $(0.7) million in the fourth quarter of 2010, due to a 1.3% decrease in the discount rate used to determine the present value of future costs. Accretion on the refinery remediation accrual increased $2.7 million in the fourth quarter of 2011 from $0.0 in the fourth quarter of 2010, due to a 2.6% decrease in the discount rate.

Total Year 2011 vs. 2010

Total year finance costs were $36.7 million in 2011 compared with $27.4 million in 2010. This increase is attributable to increased accretion on refinery remediation, asset retirement obligation, and interest and accretion on convertible debentures, partially offset by a decrease in interest on long-term debt discussed above. Additionally, for the year ending December 31, 2010 there was a one-time adjustment for the revaluation of embedded derivative, which decreased finance costs by $5.3 million.

Interest Costs
(in millions of dollars)



Interest Costs
Interest costs increased in 2010 as the result of additional borrowings that included Parkland's December 2009 series 1 convertible debenture (PKI.DB) and Parkland's revolving credit facility that were used to fund the January 31, 2010 acquisition of Bluewave and additional working capital requirements in 2010. Interest costs decreased in 2011 as Parkland made significant progress in paying down its revolving credit facility in 2011, establishing a new revolving extendible credit facility with better interest terms, partially offset by Parkland's December 2010 series 2 convertible debenture (PKI.DB.A). Long term includes Bankers' Acceptance fees, operating line interest, capital lease interest, and mortgage interest.

INCOME TAX

Q4 2011 vs. Q4 2010

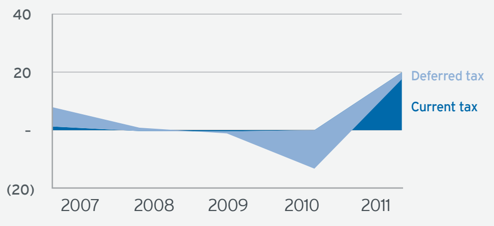
An income tax expense of $2.4 million was incurred in the fourth quarter compared with a recovery of $1.9 million for the same period in 2010.

The increase in income tax expense resulted from the impact of the conversion from an income trust to a corporation. This was partially the result of the Corporation's inability to continue to reduce taxable income by distributions to unitholders and the impact of changes in the effective rate after the conversion from the Trust to the Corporation.

Total Year 2011 vs. 2010

A total year income tax expense of $17.7 million was incurred at the end of 2011 compared with a recovery of $13.4 million in 2010 for the same reasons described in the review of income tax for the fourth quarter.

Income Tax
(in millions of dollars)



Income Tax
On December 31, 2010, Parkland Income Trust converted to Parkland Fuel Corporation, becoming fully taxable for fiscal year 2011.

EARNINGS

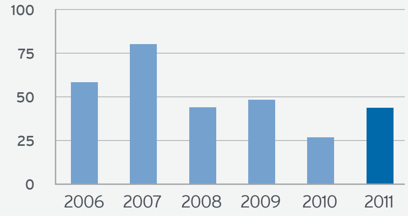
Q4 2011 vs. Q4 2010

Parkland had net earnings in the fourth quarter of 2011 of $7.4 million, compared with net earnings of $11.7 million in the fourth quarter of 2010. The decrease in net earnings in the fourth quarter of 2011 compared to the prior year was principally the result of $4.3 million in higher income tax expenses.

Total Year 2011 vs. 2010

Net earnings for the year ended December 31, 2011 were $43.9 million, an increase of $17.1 million from $26.8 million in 2010. The increase in net earnings was primarily from $50.2 million in increased EBITDA partially offset by $31.1 million in increased income tax expense.

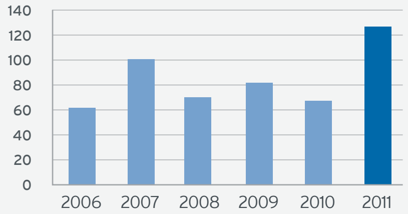
Earnings
(in millions of dollars)



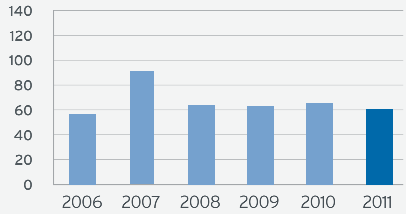
Earnings
Net earnings increased in 2011, despite the corporation becoming fully taxable, primarily due to $50.2 million in increased EBITDA that was partially offset by $33.2 million in increased income tax expense.

DISTRIBUTABLE CASH FLOW

Distributable Cash Flow
(in millions of dollars)



Total Dividends and Distributions
(in millions of dollars)



Q4 2011 vs. Q4 2010

Distributable cash flow exceeded dividends in the fourth quarter by $10.2 million compared with $11.2 million in the fourth quarter of 2010. The dividend/distribution payout ratio for the fourth quarter of 2011 was 61% compared with 58% in the fourth quarter of 2010. Distributable cash flow increased to $26.5 million in the fourth quarter of 2010 compared with $26.4 million in the fourth quarter of 2011. Movements in non-cash working capital are excluded from distributable cash flow.

Total Year 2011 vs. 2010

Distributable cash flow for the twelve months ended December 31, 2011 exceeded dividends by $66.0 million compared with $7.2 million for the twelve months ended December 31, 2010. The dividend/distribution payout ratio for the year of 2011 was 48% compared with 89% for the year of 2010. The reduction in the payout ratio in the year of 2011 compared with the year of 2010 was the result of $59.5 million in increased distributable cash flow as a result of $25.9 million in higher proceeds on disposition of capital items, including the $25.2 million proceeds on sale of the long-haul trucking assets, and increased net earnings excluding depreciation and amortization costs.

Reconciliation of Distributable Cash Flow

(in thousands of Canadian dollars, except per Share/Unit amounts)	Three months ended December 31, 2011	2010	Year ended December 31, 2011	2010
Cash flow from operating activities	4,939	(48,402)	89,609	(4,070)
Less: Total capital expenditures and intangibles	(17,712)	(13,571)	(45,769)	(40,872)
Standardized distributable cash flow[1]	(12,773)	(61,973)	43,840	(44,942)
Add back (deduct):				
Growth capital expenditures and intangibles	13,391	10,470	32,697	29,207
Proceeds on disposal of capital items	2,693	2,393	32,316	6,367
Change in non-cash working capital	23,162	75,474	17,679	76,387
Distributable cash flow	26,473	26,364	126,532	67,019
Dividends/distributions	16,272	15,176	60,516	59,819
Dividend/distribution payout ratio	61%	58%	48%	89%

(1) Standardized distributable cash flow is a measure defined by the Canadian Institute of Chartered Accountants (CICA). See discussion below.

Dividends

The following table sets forth the record date, payment date, amount per share, and total dividends paid during the year:

Record Date	Payment Date	Amount Per Share	Total Dividends ($000's)
January 21, 2011	February 15, 2011	0.085	4,553
February 28, 2011	March 15, 2011	0.085	4,579
March 24, 2011	April 15, 2011	0.085	4,603
April 25, 2011	May 14, 2011	0.085	4,627
May 20, 2011	June 15, 2011	0.085	4,659
June 22, 2011	July 15, 2011	0.085	5,289
July 31, 2011	August 15, 2011	0.085	5,314
August 31, 2011	September 15, 2011	0.085	5,342
September 30, 2011	October 15, 2011	0.085	5,372
October 31, 2011	November 15, 2011	0.085	5,410
November 30, 2011	December 15, 2011	0.085	5,441
December 31, 2011	January 13, 2012	0.085	5,469
Total dividends declared to Shareholders in 2011		**1.020**	**60,658**

2011 DIVIDEND PLAN

Parkland intends to continue to pay dividends on a monthly basis of $0.085 per share, equivalent to $1.02 per share annually. Parkland's business has grown significantly over the past several years and a similar growth trajectory is anticipated as the fuel industry continues to consolidate. This dividend level has been set to allow Parkland to continue to execute growth plans through a combination of internally generated funds, external debt and equity capital. At the discretion of Parkland's Board of Directors, Parkland will determine the amount of any future dividends payable. From time to time this amount may vary depending on a number of factors.

PREMIUM DIVIDEND™ AND DISCOUNT DIVIDEND REINVESTMENT PLAN

In January 2011, Parkland launched the Premium Dividend and discount Dividend Reinvestment Plan ("DRIP") as a means to incrementally raise equity capital for growth and other corporate purposes at a very low cost. In addition to the option of receiving a monthly cash dividend of $0.085 per share, the Premium Dividend™ and enhanced Dividend Reinvestment Plan provide Canadian shareholders with the following options:

- The Premium Dividend™ – This provides eligible shareholders with a 2% cash premium on top of their regular cash dividend. Participants electing this option will receive a monthly payment of $0.0867 per share.
- Dividend Reinvestment – This allows shareholders to purchase additional shares with their dividend at a 5% discount to the volume weighted average price as defined by the plan.

Those shareholders who do not elect to participate in the Premium Dividend™ and enhanced Dividend Reinvestment Plan will still receive their regular monthly dividend of $0.085 per share.

Parkland's DRIP is administered by Valiant Trust. Details are available from Parkland or from Valiant Trust.

DIVIDENDS / DISTRIBUTIONS ANALYSIS

A comparison of dividends with cash flow from operating activities, net earnings and EBITDA

Net earnings include significant non-cash charges including depreciation and amortization and accretion. These non-cash charges do not impact Parkland's distributable cash flow.

	Three months ended December 31,		Year ended December 31,	
(in thousands of Canadian dollars, except per Share/Unit amounts)	2011	2010	2011	2010
Cash flow from operating activities	4,939	(48,402)	89,609	(4,070)
Net earnings	7,383	11,674	43,915	26,828
EBITDA(1)	35,953	34,852	150,832	100,620
Dividends / Distributions	16,272	15,176	60,516	59,819
(Shortage) excess of cash flow from operating activities relative to dividends/distributions	(11,333)	(63,578)	29,093	(63,889)
(Shortage) excess of cash flow from net earnings relative to dividends/distributions	(8,889)	(3,502)	(16,601)	(32,991)
Excess (shortage) of cash flow from EBITDA relative to dividends/distributions	19,681	19,676	90,316	40,801

(1) Please refer to the Non-GAAP Measures section in the MD&A for a definition of EBITDA.

Q4 2011 vs. Q4 2010

Cash flow from operating activities in the three months ended December 31, 2011 was $11.3 million lower than dividends, primarily the result of $23.2 million in cash flow used in increased working capital during the quarter.

Total Year 2011 vs. 2010

In the year ended December 31, 2011 versus 2010, EBITDA was $50.2 million higher due to elevated refiners' margins in 2011 compared to lower than average margins in 2010, as well as a strong first half of 2011 Commercial Fuels Division performance in the winter and spring seasons. Cash flow from operating activities was $89.6 million during the year of 2011 compared to a shortage of $4.6 million in 2010 primarily due to $50.2 million in higher EBITDA in 2011 and $58.7 million in less cash flow used by increasing working capital during 2011 versus 2010.

Return on Capital Employed ("ROCE")

(in thousands of Canadian dollars)	December 31, 2011	December 31, 2010
Four quarter average[1]		
Bank indebtedness	5,000	5,600
Long-term debt (including current portion)	278,321	258,861
Convertible debentures	134,464	97,439
Shareholders' capital	241,158	172,654
	658,943	534,554
Less:		
Cash and cash equivalents	(24,888)	(40,503)
Restricted cash	(600)	-
Capital Employed	633,455	494,051
Net earnings (trailing twelve months, "TTM")	43,915	26,828
Add		
Finance costs	36,712	27,367
Gain on disposal of property, plant and equipment	(15,938)	(3,119)
Income tax expense	17,699	(13,373)
TTM EBIT	82,388	37,703
Return on Capital Employed	13.0%	7.6%

(1) The four quarter average is calculated using the balance at the beginning of the trailing four quarter period, and using the closing balances at the conclusion of each of the four quarters thereafter.

Average capital employed has increased $139.4 million from $494.1 million in 2010 to $633.5 million in 2011. The increase is the result of acquisitions, organic growth, and increased working capital requirements related to the increased price of petroleum products.

Return on capital employed ("ROCE"), as measured by earnings before interest and taxes ("EBIT") divided by average capital employed, increased from 7.6% in 2010 to 13.0% in 2011. EBIT increased $44.7 million between 2010 and 2011 as a result of a $50.2 million increase in EBITDA partially offset by an increase in depreciation and amortization of $5.5 million.

Capability to Deliver Results

LIQUIDITY

Cash Balances and Cash Flow Activity

Q4 2011 vs. Q4 2010

Parkland's cash position decreased by $4.7 million in the fourth quarter of 2011 compared to a decrease of $39.4 million in the fourth quarter of 2010. For the three month period ended December 31, 2011, operating activities generated $4.9 million of cash versus a use of $47.9 million in cash flow in the fourth quarter of 2010. Net changes in non-cash working capital decreased from $23.2 million cash used for the fourth quarter 2011, compared to cash used of $74.9 million in the fourth quarter of 2010. The increase in cash used in 2010 was related to the Bluewave Energy and Island Petroleum acquisitions. In the fourth quarter of 2011, the addition of Cango as well as higher fuel prices have led to an increase in accounts receivable compared to 2010.

Financing activities in the fourth quarter of 2011 generated $6.7 million in cash flow which includes $11.8 million in proceeds from long-term debt net of long-term debt repayments. Financing activities generated $22.1 million in cash flow in the fourth quarter of 2010, primarily attributable to the issuance of the Series 2 convertible debenture.

Investing activities in the fourth quarter of 2011 used $16.4 million in cash flow, compared to $13.7 million in cash flow in the fourth quarter of 2010 due to increased property, plant and equipment additions.

Total Year 2011 vs. 2010

Parkland's cash position increased by $9.4 million in the year ended December 31, 2011 compared to an increase of $0.9 million in 2010. For the year of 2011, operating activities generated $89.6 million of cash versus a use of $4.1 million in cash flow in 2010, primarily due to an increase in non-cash working capital of $17.7 million in 2011 compared to an increase of $76.4 million in 2010.

Financing activities in 2011 used $37.6 million of cash flow, which included a total use of cash flow of $98.3 million from long-term debt repayments less proceeds from long-term debt. The June 2, 2011 bought deal equity financing arrangement resulted in net proceeds of $84.1 million for the new share issue. Financing activities generated $246.1 million in cash flow during the year of 2010.

Investing activities in 2011 used $42.6 million in cash flow, which included $14.8 million in net cash expenditures related to the Cango Inc. acquisition and $12.2 million used in the Island Petroleum acquisition. Investing activities used $241.1 million in cash flow during the year of 2010, which included $204.4 million of cash used to purchase Bluewave.

TANGIBLE AND INTANGIBLE ASSETS

A Review of Property, Plant and Equipment and Intangible Assets

For accounting purposes, amounts expended on both maintenance and growth capital are treated as purchases of capital assets. The classification of capital as growth or maintenance is subject to judgment, as many of the Corporation's capital projects have components of both. It is the Corporation's policy to classify all capital assets related to service station upgrades or the replacement and betterment of its trucking fleet as maintenance capital. The construction of a new building on an existing site or the additions of new trucks and trailers to increase the size of the fleet is considered growth capital.

Q4 2011 vs. Q4 2010

During the fourth quarter of 2011, the Corporation's total additions of property, plant and equipment and intangibles, consisting of maintenance capital and growth capital, were $17.7 million compared with $13.6 million for the same period in 2010. Maintenance capital in the quarter ended December 31, 2011 was $5.9 million compared with maintenance capital of $3.1 million in the fourth quarter of 2010. Growth capital in the fourth quarter of 2011 was $11.8 million, compared with $10.5 million in growth capital for the same period in 2010.

Total Year 2011 vs. 2010

During 2011, the Corporation's total additions of property, plant and equipment and intangibles, consisting of maintenance capital and growth capital, were $45.8 million compared with $40.9 million in 2010. Maintenance capital during the year ended December 31, 2011 was $14.4 million compared with maintenance capital of $11.7 million in 2010. Growth capital during 2011 was $31.4 million, compared with $29.2 million in growth capital last year.

CAPITAL RESOURCES

A new revolving extendible credit facility (the "Extendible Facility") agreement was executed on June 30, 2011 for a period of three years. The facility is extendible each year for a rolling three-year period at the option of Parkland. The Extendible Facility is for a maximum amount of $450 million with interest only payable at the bank's prime lending rate plus 1% to 2.5% per annum. The Extendible Facility includes a revolving operating loan to a maximum of $450 million less the value of letters of credit issued. The letter of credit facility is to a maximum of $60 million. The new Extendible Facility also includes a $100 million accordion feature that could potentially increase the total lending capacity to $550 million. Security on the Extendible Facility is the assignment of insurance and a floating charge demand debenture for $650 million, thus creating a first floating charge over all of the undertaking, property and assets of Parkland.

Parkland successfully closed a bought deal equity financing on June 2, 2011. Including the over-allotment option that was fully exercised by the syndicate of underwriters, the offering raised $86.3 million in gross proceeds. The syndicate purchased 7,130,000 common shares (representing 13% of Parkland's float prior to this issue) for resale to the public on a bought deal basis at a price of $12.10 per share. The equity proceeds were used to pay for the Cango acquisition with the balance used to reduce Parkland's credit facility.

At December 31, 2011, Parkland had $228.2 million in long-term debt (excluding $2.8 million of the current portion of long-term debt, the $92.2 million remaining amount of series 1 convertible unsecured subordinated debentures outstanding and the $43.4 million remaining amount of series 2 convertible unsecured subordinated debentures outstanding), compared with $240.6 million at December 31, 2010 (excluding $80.4 million of the current portion of long-term, $90.4 million remaining amount of series 1 convertible unsecured subordinated debentures outstanding and the $43.0 million remaining amount of series 2 convertible unsecured subordinated debentures outstanding). At December 31, 2011, Parkland had $24.9 million of cash on hand at various banks compared with a cash balance of $18.5 million on hand at December 31, 2010.

Based on the balance of Parkland's seasonal business, management believes that cash flow from operations will be adequate to fund maintenance capital, interest, income taxes and targeted dividends. Growth capital expenditures in 2012 will be funded by cash flow from operations, proceeds from the Premium Dividend™ and Dividend Reinvestment Plan, and by the Extendible Facility. Any additional debt incurred will be serviced by anticipated increases in cash flow and will only be borrowed within Parkland's debt covenant limits.

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

At December 31, 2011, Parkland was in compliance with all debt covenants. Debt covenant ratios are tested on a trailing four quarter EBITDA basis. The financial covenants under the Extendible Facility are as follows:

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

Liquidity risk is the risk that Parkland will encounter difficulties in meeting its financial liability obligations. Parkland manages its liquidity risk through cash and debt management. In managing liquidity risk, Parkland has access to various credit products at competitive rates.

Parkland believes it has sufficient funding through the use of these facilities to meet foreseeable borrowing requirements.

LEADERSHIP AND MANAGEMENT

Parkland's Senior Leadership Team

Team Member	Start Date	Bio
Robert B. Espey President and Chief Executive Officer	November 2008	Mr. Espey's background includes change management and corporate strategy with a focus on growth and business integration. He joined Parkland in 2008 as Vice President Retail Markets, was promoted to Chief Operating Officer in 2010, and appointed to CEO in May 2011. Prior to Parkland, he was the executive in charge of worldwide sales and marketing at FisherCast Global, before being promoted to Chief Executive Officer there. While Vice President of Algonquin Automotive, Mr. Espey led the reengineering of key supply chains to significantly reduce costs. He also worked with Computer Sciences Corporation's strategy and change management practice out of London, England, assisting multinational clients including Alstom Transport, Airbus, Bata Shoes, Kvaerner Engineering and Meggit Defence. In addition, Mr. Espey also worked with Coca Cola, Shell, Unilever and the BBC as a consultant while with What If Impact. Mr. Espey spent four years in the Canadian Navy as a commissioned officer, possesses a Bachelor of Mechanical Engineering from the Royal Military College as well as a Master of Business Administration from the Ivy School of Business.
Michael R. Lambert Senior Vice President and Chief Financial Officer	September 2011	Mr. Lambert has extensive experience in leading the finance functions of large public companies, broad exposure to operations and strategy, and a focus on increasing organizational efficiency. Since 1983, Mr. Lambert has held numerous senior finance positions in public companies that include CFO of the Forzani Group, Executive Vice President and CFO of Canadian Pacific Railway Company, Executive Vice President of Canadian Tire Limited and President of their Mark's Work Wearhouse Division and CFO of Mark's Work Wearhouse Limited prior to its acquisition by Canadian Tire. Mr. Lambert is a Chartered Accountant with a Bachelor of Commerce degree (Honours) from the University of Windsor.
Andrew S. Cruickshank Vice President Finance	June 2010	Mr. Cruickshank is both a Chartered Accountant (CA) and a Certified Public Accountant (CPA) with previous roles in other fuel marketing companies. Prior to joining Parkland, Mr. Cruickshank's previous roles included Vice President of Finance at UFA Co-operative Limited, a fuel and agricultural inputs reseller serving 110,000 members, CFO of Collicutt Energy Services Ltd. and CFO of Enwin Utilities Group.
Robert J. Fink General Counsel and Corporate Secretary	July 2010	Since joining Parkland in 2010 as General Counsel and Corporate Secretary, Mr. Fink has been the driving force behind improvements in the areas of risk management, governance, contract management and negotiation processes. Prior to joining Parkland, Mr. Fink was General Counsel and Corporate Secretary of FortisAlberta Inc. where his responsibilities included corporate governance, procurement, land and legal matters. He previously practiced in the technology and corporate groups at Gowling Lafleur Henderson LLP and in the corporate and tax groups at Macleod Dixon LLP. Bob has been practicing law since 1996.
Dean Mackey Senior Vice President, Human Resources and Administration	January 2009	Mr. Mackey has 29 years of experience in human resources at multinational corporations. Prior to joining Parkland, he was Vice President Human Resources, North American Field Operations with Americredit Financial Services. He also worked with the Quaker Oats Company of Canada Ltd. as the executive in charge of Human Resources.
Mike McMillan Vice President and Treasurer	December 2009	Mr. McMillan, who was appointed to Vice President and Treasurer in December 2011, is responsible for Treasury, Corporate Planning and Risk Management. Mike joined Parkland as the Controller of the Retail division and later led the integration of Cango Inc. and Retail Eastern Operations. He has 17 years' experience in a variety of public and private industry roles including Director of Finance for Nortel Networks, Retail Controller for Nygard, Controller of Buhler Industries and, prior to joining Parkland, was VP Professional Services for a Toronto-based consulting company. He has a Master of Business Administration from the University of Calgary and is a Certified Management Accountant.

Team Member	Start Date	Bio
Karen Putnam Vice President, Corporate Development	September 2000 (Joined Parkland in 2010 with Bluewave)	Ms. Putnam's focus is the identification, negotiation and execution of strategic opportunities that are accretive to Parkland's shareholders. She joined Parkland in February 2010 following the acquisition of Bluewave Energy. She possesses 25 years of financial management experience in the energy sector including the role of Chief Financial Officer for Bluewave Energy. While at Bluewave, Ms. Putnam built an extensive foundation of experience in the acquisition and integration of companies. Ms. Putnam is a Chartered Accountant with a Bachelor of Commerce from Mount Allison University.
William Rouse Vice President, Commercial Fuels East and Lubricants	December 1987 (Joined Parkland in 2010 with Bluewave)	Mr. Rouse is responsible for the lubricants division and assumed responsibility for Parkland's eastern Commercial Fuels operations from William (Bill) Sanford in 2011. He has 27 years of downstream petroleum experience including Vice President, Western Canada for Bluewave Energy. During this time, he has been involved extensively with business development, acquisitions, and integration of downstream petroleum businesses across Canada. Mr. Rouse possesses a Bachelor of Business Administration with a Major in Management from Saint Francis Xavier University.
Jane Savage Vice President, Wholesale and Supply	April 2011	Ms. Savage leads the Wholesale and Supply division in its drive to enhance profits through active management of Parkland's supply portfolio. She has 31 years of experience in the downstream oil industry including 22 years with Imperial Oil in refining, supply and trading, and wholesale sales divisions, and nine years as President and CEO of the Canadian Independent Petroleum Marketers Association. Ms. Savage is a Professional Engineer (Ontario) with a Chemical Engineering degree from Queen's University and a Master of Business Administration from McGill University.
Donna Strating Vice President, Administration and Chief Information Officer	April 2010	Ms. Strating's focus is enhancing the transactional efficiency of Parkland through improvement and integration of Parkland's information systems and accounting systems. Ms. Strating possesses 20 years of management experience in information technology and operations including Vice President and Chief Information Officer at Capital Health (Alberta) for nine years. In addition, she was previously a Management Consulting Partner for Ernst & Young and was subsequently appointed to Vice President with Cap Gemini Ernst & Young. Ms. Strating has a Master of Science in Management Information Systems from University of Arizona and a Master of Business Administration from the University of Minnesota.
Allan Willms Vice President, Commercial Fuels Division – West	May 2009	Mr. Willms assumed responsibility for Parkland's western Commercial Fuels operations from William (Bill) Sanford in 2011. He started in 2009 as Director of Parkland's Pacific Region, responsible for the post-acquisition integration of Columbia Fuels and United Petroleum. He has 15 years of general management experience in the automotive industry and an extensive international business development background. He is a values-based, results-driven leader with a Bachelor of Science degree.

PARKLAND'S BOARD OF DIRECTORS

The table below provides background information about the independent members of Parkland's Board of Directors. More detailed information is available in Parkland's most recent Management Information Circular.

Board Member	Director since:	Bio
John F. Bechtold	August 2006	Mr. Bechtold has over 40 years of experience in the North American petroleum industry including management roles at Gulf Oil Corporation, Gulf Canada and Petro-Canada. During his career, he held senior leadership positions in the upstream, mid-stream and downstream segments of the business including 15 years in crude oil and refined product supply and four years in the propane business as President of ICG. He is currently a director of Parex Resources Inc. (member of corporate governance and human resources committee and chair of the reserves and operations committee). Past board positions include being a member of each of the Industry Advisory Board to the IEA, the Canadian Energy Research Institute Board, the Canadian Propane Gas Association Board, the British Columbia Oil and Gas Commission and Petro Andina Resources Inc. He holds BSC (Honours) Chemical Engineering and MSC Petroleum Reservoir Engineering degrees and completed the Senior Executive Management Program at Stanford University. Mr. Bechtold has served on the Board of Directors since August 10, 2006 and is a member of the Compensation and Corporate Governance Committee and the Petroleum Products Supply Advisory Committee.
Robert G. Brawn	November 1996	Mr. Brawn brings over 55 years of business experience to the Board of Directors, having held various management roles with companies operating in the oil and gas and resource industries. Mr. Brawn holds several directorships that span a variety of industries, including energy, construction and retail. He is currently a director of Grande Cache Coal Corporation (Chairman of the Board and member of the Audit Committee) and Black Diamond Group Limited (Lead Director and member of the Audit and Compensation committees). Effective January 1, 2009, he was appointed Chairman of the Alberta Economic Development Authority and a member of the Premier's Council by the Premier of Alberta. Mr. Brawn is a Professional Engineer. Mr. Brawn has served on the Board of Directors since November 13, 1996 and is a member of the Compensation and Corporate Governance Committee.
Jim Dinning	August 2004	Mr. Dinning is Chair of Western Financial Group Inc., an Alberta-based western Canadian financial services company. He also chairs the board of Liquor Stores NA Ltd. and Export Development Canada. He serves as a director for Oncolytics Biotech Inc. (member of Audit Committee) and Russel Metals Inc. (member of Governance and Environmental/Safety Committees). He is a director of Armstrong Group and a member of the TD Energy Advisory Board. He is the Chairman of the Canada West Foundation and a director of the Norlien Foundation. In 2010, he was elected Chancellor of the University of Calgary. Mr. Dinning earned a Bachelor of Commerce and a Master in Public Administration from Queen's University. He was awarded an honorary doctorate from the University of Calgary. He is a graduate of the Institute of Corporate Directors Education Program. Mr. Dinning was appointed as a Trustee on August 19, 2004 and was elected as a director of Parkland Industries Ltd. on May 5, 2005 when Parkland reorganized to a corporate trust model. Mr. Dinning serves on Parkland's Audit Committee.
Alain Ferland	June 1999	Mr. Ferland has over 30 years of experience in the petroleum industry and has acted as a member of the senior management team in oil, oil services, plastic, airport and biotechnology companies. Mr. Ferland has extensive experience in strategic planning, operations, logistics, sales, marketing, project management and mergers. During his career, Mr. Ferland served on more than ten boards in various capacities.He is also President of Effa Management Inc. Mr. Ferland has been President of TORR Canada Inc., Aéroports de Montréal, IPL Inc., Geneka Biotechnologies and, prior to that, was President of Ultramar Ltd. and Vice President of Ultramar Diamond Shamrock. He is a Professional Engineer. Mr. Ferland has served on the Board of Directors since June 22, 1999 and is Chair of Parkland's Compensation and Corporate Governance Committee. He also serves as a member of the Petroleum Products Supply Advisory Committee. He is formerly a director of Petrolia Inc. where he served as President of the Compensation and Corporate Governance Committee.

Board Member	Director since:	Bio
Jim Pantelidis	September 1999	Mr. Pantelidis has over 30 years of experience in the petroleum industry. Mr. Pantelidis is chairman and director of the EnerCare Inc. since 2002 (member of the Audit, Governance and Compensation, and Investment Committees). He also serves on the Board of each of Rona Inc. (Chairman of the Human Resources and Compensation Committee and member of the Development Committee) and Industrial Alliance Insurance and Financial Services Inc. (Chairman of the Investment Committee and member of the Human Resources and Compensation Committee). From 2002 to 2006, Mr. Pantelidis was on the Board of FisherCast Global Corporation and served as Chairman and Chief Executive Officer from 2004 to 2006. Mr. Pantelidis also previously served on the Board of Equinox Minerals Limited (Chairman of the Human Resources and Compensation Committee and member of the Audit Committee). Mr. Pantelidis has a Bachelor of Science degree and a Master of Business Administration degree, both from McGill University. Mr. Pantelidis has served on the Board of Directors since September 7, 1999 and he is Chairman of the Board of Directors and a member of the Audit Committee. He also serves as Chair of the Petroleum Products Supply Advisory Committee and Chair of the Project Drive Advisory Committee.
Ron Rogers	September 2006	Mr. Rogers has over 35 years of experience in various financial and operating positions with Ernst & Young, Warrington Inc., the Crown Management Board of Saskatchewan, Moore Corporation and Shaw Communications Inc. He received his Bachelor of Commerce degree from St. Mary's University with concentrations on philosophy, economics and accounting and subsequently earned his Chartered Accountancy with Ernst & Young. He has also attended post-graduate seminars at North Western and Harvard Universities. Mr. Rogers is currently a member of the Board of each of Corus Entertainment (Chairman of Audit Committee and member of the Executive Committee) and Transforce Inc. (Chairman of Audit Committee and member of the Corporate Governance Committee). Mr. Rogers previously served on the Boards of the Brick Furniture Company and Pizza Pizza Royalty Fund. His community involvement has included such organizations as the Mississauga General Hospital Board, the Calgary division of the United Way Executive Board, the Festival of Trees Executive Committee for the Alberta Children's Hospital, the Juvenile Diabetes Research Foundation and the Calgary Stampede Compensation and Pension Committee. Mr. Rogers has served on the Board of Directors since September 15, 2006, is Chairman of the Audit Committee and a member of the Project Drive Advisory Committee.
David A. Spencer	April 2002	Mr. Spencer is a Partner with Bennett Jones LLP in Calgary where he specializes in corporate finance, mergers and acquisitions and corporate governance. He has been a director since 2002 and is a member of Parkland's Compensation and Corporate Governance Committee.

LABOUR FORCE

Parkland had approximately 1,300 employees at December 31, 2011, including 60 retail convenience store personnel stationed throughout western Canada and 200 employees in its Red Deer, Alberta, head office.

Parkland's employees are also owners of the Corporation, investing in Parkland regularly through its share purchase plan. A profit-sharing plan further contributes to the entrepreneurial spirit of Parkland's employees, fostering a sense of ownership and pride throughout Parkland. By constantly adhering to the Corporation's values of integrity, people, teamwork and success, Parkland believes it has the right tools to retain and develop the talent required to achieve success.

Parkland's ability to deliver on its strategy is contingent on retaining and attracting employees with the proper skill sets to drive the key initiatives forward. As such, there is a focus on recruiting and retaining key employees. To date, Parkland has been successful at filling critical positions as needed.

SYSTEMS AND PROCESSES

Parkland utilizes a number of information technology systems that assist and support the administration and control of its operations. Technology initiatives are primarily implemented using in-house resources with additional assistance from outside consultants when required.

Parkland's technology initiatives include:

- Upgrading Point-of-Sale systems and implementing the MasterCard and Visa ("EMV") payment system at convenience store and service station sites;
- Upgrading truck technology for delivery management;
- Implementing technologies to improve back office efficiency through automation; and
- Continued maintenance and security related to overall network administration and emergency response processes.

ENTERPRISE RESOURCE PLANNING (ERP) SYSTEM IMPLEMENTATION

During 2010, Parkland implemented an ERP system with the view to enhancing Parkland's long-term efficiency, expanding Parkland's ability to integrate future acquisitions, and building a sustainable platform for future growth and operational improvements. The significant implementation issues with the ERP system have been resolved. Processes will continue to be streamlined to automate and simplify the day-to-day document flow within Parkland. Further integration of staff and functions within local branches and across broad geography continues to be a focus area in 2011 to harmonize and simplify, to remove unnecessary costs and to strengthen business controls.

SAFETY

Parkland Fuel Corporation is committed to ensuring a safe working environment that protects its employees, customers and the environment. As part of this commitment, Parkland has an established Health, Safety & Environment (HSE) program that includes comprehensive policies and procedures designed to manage and mitigate HSE risks. Additionally, employees have the opportunity to actively engage in safety initiatives through numerous HSE committees representing all areas of Parkland's business.

Parkland's primary business of selling and transporting fuel products and other dangerous goods has an inherent degree of risk. As such, Parkland provides training to all staff as required to mitigate these risks and has operations and response procedures to deal with emergency situations. Safety bonuses are also provided to certain employees in higher risk roles as a means of rewarding safe performance of duties.

Parkland maintains a Certificate of Recognition (COR) in two provinces, and is a proud participant in Alberta WCB's Partnerships in Injury Reduction program. In the third quarter of 2011, Parkland successfully underwent a comprehensive external audit to re-certify its operations.

Segmented Results

The following table details sales and operating revenue, cost of sales and gross profit for Parkland's business segments:

	Three months ended December 31,			Year ended December 31,		
(in millions of Canadian dollars)	2011	2010	% Change	2011	2010	% Change
Fuel Marketing Segment						
Sales	933.0	758.5	23	3,668.1	2,680.0	37
Cost of sales	858.2	692.7	24	3,360.3	2,461.4	37
Gross profit	74.8	65.8	14	307.8	218.6	41
Gross margin	8.0%	8.7%		8.4%	8.2%	
Cents per litre	6.82	6.71	2	7.40	6.26	18
Non-Fuel Commercial Segment						
Sales	72.1	51.4	40	249.1	146.3	70
Cost of sales	48.6	32.7	49	174.4	95.1	84
Gross profit	23.5	18.7	26	74.6	51.3	46
Gross margin	32.6%	36.3%		30.0%	35.0%	
Other Non-Fuel Segment						
Sales	9.2	14.8	(38)	63.3	64.8	(2)
Cost of sales	4.4	3.9	-	37.3	18.5	-
Gross profit	4.8	10.8	(56)	26.0	46.3	(44)
Gross margin	52.2%	73.4%		41.1%	71.5%	
Gross Profit Sources						
Gross profit on Fuel Marketing Segment	74.8	65.8	14	307.8	218.6	41
Gross profit on Non-Fuel Commercial Segment	23.5	18.7	26	74.6	51.3	45
Gross profit on Other Non-Fuel Segment	4.8	10.8	(56)	26.0	46.3	(44)
Total consolidated gross profit	103.1	95.3	8	408.4	316.2	29

FUEL MARKETING SEGMENT

Fuel marketing consists of the sale and delivery of gasoline, diesel and, to a lesser extent, propane through the Corporation's commercial, retail and wholesale distribution channels. It is the Corporation's most important segment and the focus of its operations. A more detailed review of this segment can be found in the "Fuel Marketing Operations" section later in this MD&A.

Q4 2011 vs. Q4 2010

For the three months ended December 31, 2011, Parkland's fuel marketing segment accounted for approximately 92% of sales and operating revenue compared with 92% in the fourth quarter of 2010; and approximately 73% of gross profit in the fourth quarter of 2011 compared with 69% in the fourth quarter of 2010.

Fuel marketing sales increased 23% to $933.0 million in the quarter ended December 31, 2011 from $758.5 million in the fourth quarter of 2010. The increase in fuel marketing sales was primarily driven by the addition of the Cango business acquired in June 2011, as well as significantly higher wholesale prices at refineries across the country compared to the same quarter in 2010.

Fourth quarter 2011 fuel gross profit increased 14% to $74.8 million compared with $65.8 million in the fourth quarter of 2010, due to higher volumes.

Please refer to the operational reviews of Parkland's commercial and retail operations found later in this MD&A for an in-depth discussion on fuel margins and volumes for the quarter.

Total Year 2011 vs. 2010

Parkland's fuel marketing segment accounted for approximately 92% of sales and operating revenue in 2011 compared with 93% in 2010, and approximately 75% of gross profit in 2011 compared with 69% in 2010.

Total year fuel marketing sales increased 37% to $3.7 billion for 2011 compared with $2.7 billion in 2010. The increase in fuel marketing sales was primarily driven by higher volumes and higher prices for the reasons described previously.

Fuel gross profit increased 41% to $307.8 million for total year 2011 compared with $218.6 million in 2010.

REFINERS' MARGINS

Parkland's Wholesale, Supply and Distribution, a part of the Fuel Marketing Segment, includes profits from Parkland's participation in refiners' profit margins and modest profits from wholesale fuel sales. Parkland participates in refiners' margins for a portion of its supply volumes. Refiners' margins are driven by supply and demand, over which the Corporation has no control. Parkland continues to execute its strategy to build fuel marketing profits to offset fluctuations in refinery margins that are expected to continue until the termination of the Suncor contract on December 31, 2013.

Q4 2011 vs. Q4 2010

Gross profit in Parkland's Wholesale, Supply and Distribution division increased by 109% or $6.0 million to $11.5 million for the three months ended December 31, 2011, compared with $5.5 million for the same period in 2010.

Total Year 2011 vs. 2010

Total year gross profit in Parkland's Wholesale, Supply and Distribution division increased $54.2 million to $71.0 million for the year ended December 31, 2011, compared with $16.8 million in 2010. Refiners' margins in 2011 were strong for the majority of the year compared to 2010, when they were at the low end of season norms.

Product supplies appear to be adequate to meet forecasted commitments.

NON-FUEL COMMERCIAL SEGMENT

Parkland's Non-Fuel Commercial Segment consists of agricultural inputs, lubricants, and other products that do not fall into the fuel category.

Q4 2011 vs. Q4 2010

For the three months ended December 31, 2011, this segment accounted for approximately 7% of sales and operating revenue compared with 6% in the fourth quarter of 2010 and approximately 23% of gross profit compared with 20% in the fourth quarter of 2010.

Non-Fuel Commercial revenue increased to $72.1 million in the fourth quarter of 2011 from $51.4 million in the fourth quarter of 2010, principally due to growth in the lubricant business.

Total Year 2011 vs. 2010

For total year 2011 this segment accounted for approximately 6% of sales and operating revenue and approximately 18% in of gross profit compared with 5% of sales and operating revenue and 16% of gross profits in 2010.

Non-Fuel Commercial revenue increased 70% to $249.1 million for the year ended December 31, 2011 compared with $146.3 million for the year ended December 31, 2010 due to additional lubricant business and agricultural sales.

OTHER NON-FUEL SEGMENT

Parkland's Other Non-Fuel Segment consists of convenience store revenue, lottery revenue, externally charged freight revenue, retail variable rents received from Parkland's Retailers and vendor rebates.

Q4 2011 vs. Q4 2010

For the three months ended December 31, 2011, this segment accounted for approximately 1% of sales and operating revenue compared with 2% in the fourth quarter of 2010 and approximately 5% of gross profit compared with 11% in the fourth quarter of 2010.

Sales in this segment decreased 38% to $9.2 million in the fourth quarter of 2011 compared with $14.8 million in the fourth quarter of 2010, Other Non-Fuel gross profit decreased by 56% or $6.1 million to $4.8 million in the fourth quarter of 2011 compared with $10.8 million in the fourth quarter of 2010. The reduction is due to the sale of the long-haul trucking assets on August 13, 2011 and rationalization of stations within Parkland including the acquired Cango network, decreasing convenience and other non-fuel gross profits.

Total Year 2011 vs. 2010

For total year 2011 this segment accounted for approximately 2% of sales and operating revenue compared with 2% at the end of the year of 2010, and approximately 6% of gross profit for total year 2011 compared with 15% at the end of the year of 2010.

For total year 2011, Other Non-Fuel revenue decreased 2% to $63.3 million in 2011 compared with $64.8 million in 2010. For the same reasons cited for the quarterly movement, gross profit in this segment decreased 44% to $26.0 million in the year 2011 compared with $46.3 million in the year of 2010.

Fuel Marketing Operations

Parkland manages fuel distribution and marketing through three different divisions:

- Parkland Commercial Fuels
- Parkland Retail Fuels
- Parkland Wholesale, Supply and Distribution

On August 13, 2011, Parkland announced its binding agreement to divest its Transportation division, including the Petrohaul and Wiebe long-haul transportation, to Seaboard Liquid Carriers Ltd. ("Seaboard") for $23.5 million. A gain of $12.8 million was realized on the sale of these assets. The long-haul transportation section has therefore been removed.

PARKLAND COMMERCIAL FUELS

Parkland Commercial Fuels is a nationwide operation serving commercial, industrial and residential customers from coast to coast. This division delivers bulk fuel, propane, heating oil, lubricants, agricultural inputs, oilfield fluids and other related products and services to commercial, industrial and residential customers through an extensive nationwide delivery network.

Fuel volumes from Parkland Commercial Fuels for the three months ended December 31, 2011 accounted for 43% of the Corporation's total volumes compared with 46% for the same period in 2010. Commercial fuel revenue increased by 31% to $444.0 million in the fourth quarter of 2011 compared with $338.8 million in 2010.

Parkland Commercial Fuels' family of successful brands includes: Bluewave Energy, Columbia Fuels, Great Northern Oil, Neufeld Petroleum & Propane, United Petroleum Products, Island Petroleum and Race Trac cardlock locations. All of the brands feature quality products and a commitment to locally delivered, premium customer service.

Seasonality

Parkland's commercial business is seasonal, reflecting fluctuations in heating requirements through the year and industry activity that can be more active in the winter than in the summer. In general, the first and fourth quarters are the busiest periods for Commercial Fuels

Commercial EBITDA fluctuates roughly according to the following schedule

	Q1	Q2	Q3	Q4	Total
Commercial EBITDA	39%	16%	11%	34%	100%

Volume and Margin Review

	Three months ended December 31,		Year ended December 31,	
	2011	2010	2011	2010
Volume (millions of litres)	476	449	1,785	1,458
Fuel gross profit (millions of Canadian dollars)	41.0	40.8	151.9	122.2
Fuel gross profit (cents per litre)	8.61	9.09	8.51	8.38

Operational Review

Q4 2011 vs. Q4 2010

For the three months ended December 31, 2011, Parkland Commercial Fuels' volumes increased 6% to 476 million litres compared with 449 million litres for the same period in 2010 despite several regional challenges, demonstrating the advantage of diverse geographic and product portfolios.

In western Canada, oilfield activity remained strong despite warmer conditions and low natural gas prices. For the three months ended December 31, 2011, the Canadian Association of Oilwell Drilling Contractors (CAODC) reported an average rig utilization rate of 61% compared with 50% for the same period in 2010.

During the fourth quarter, commercial fuel volume growth was hindered temporarily in western Canada by a disruption in diesel supply in Alberta, Saskatchewan and Northeast British Columbia that started with an explosion at a Regina refinery which was further exacerbated by a hydrogen shortage that impacted certain Edmonton refiners. While fuel requests from potential commercial customers increased during the disruption, Parkland did not fulfill new fuel requests as it maintained and protected its commitments to its current customer base. Through effective product and supply management Parkland was able to meet the fuel needs of the vast majority of its customer base.

Weather had a significant impact on fuel volumes in the fourth quarter, with warmer than normal weather in eastern and central Canada leading to a $2.5 million reduction in EBITDA in the fourth quarter of 2011 compared to the prior year.

Heating Degree Days

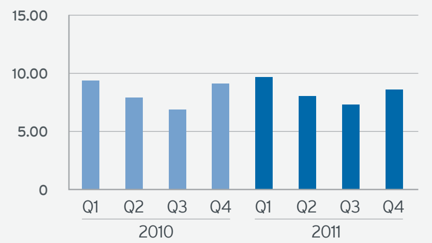
	Three months ended December 31,					Year ended December 31,
Location	Normal*	2011	Difference	Normal*	2011	Difference
Halifax	1,395	1,169	-16%	4,367	3,983	-9%
Ottawa	1,562	1,266	-19%	4,521	4,032	-11%
Victoria	1,048	1,092	4%	3,041	3,135	3%

*Normal is defined by the average of the past 30 years.

Temperatures also had an impact on consumption in Northern Alberta and Northeast British Columbia, as colder temperatures would normally drive higher demand in the oilfield. That said, warmer temperatures also allowed the diesel supply shortage to be resolved much sooner than anticipated.

The lubricants business continues to outperform initial expectations.

Commercial Margins CPL



Commercial Margins
Commercial margins decreased slightly year over year due to high-volume, low-margin accounts. When wholesale accounts are factored out, margins are improving in Parkland's regular commercial business.

Sequential Margin Review

Sales and operating revenue will fluctuate on a cents per litre (cpl) basis and on a gross basis with the price of crude oil, the primary input for fuel. Net fuel gross profit on a cents per litre basis drives the profitability of the Commercial Fuels division, and is the metric that management monitors when reviewing the division's performance and profitability.

Average net fuel gross profit on a cents per litre basis for the fourth quarter of 2011 was 8.6 cpl, a decrease of 5% or 0.5 cpl compared with 9.1 cpl in the fourth quarter of 2010 due to the addition of high-volume, lower-margin accounts. However, average net fuel gross profit increased in the fourth quarter of 2011 by 18% or 1.3 cpl compared with 7.3 cpl in the third quarter of 2011 due to the seasonal increase in higher margin heating oil and propane sales in the fourth quarter.

2011 vs. 2010

In 2011, Parkland Commercial Fuels' volumes increased 22% to 1.8 billion litres compared with 1.5 billion litres for the same period in 2010 due to the addition of Bluewave's January volumes in 2011 (91 million litres), stronger heating oil sales through the first quarter of 2011 due to a cold winter, the addition of fuel sales from Island Petroleum throughout the year, partially offset by weaker heating oil sales in the fourth quarter of 2011 due to warm temperatures in Eastern and Central Canada.

During the year, warmer than normal weather led to a $3.0 million reduction in EBITDA, with most of this impact concentrated in the fourth quarter of 2011.

Average net fuel gross profit on a cents per litre basis in 2011 was 8.5 cpl, an increase of 2% or 0.1 cpl compared with 8.4 cpl in 2010.

Divisional Outlook

Oilfield activity in Northern Alberta and Northeast British Columbia continues to be robust despite lower natural gas prices. In January and February 2012, the CAODC reported an average rig utilization rate of 74% compared with 70% for the same period in 2011.

A review of oil and gas well completion data available on the CAODC website demonstrates that Canadian drilling activity is now dominated by oil wells which make up more than 62% of completions compared with gas wells at 28%. This is in stark contrast to completion data from 1999 to 2010 where gas wells represented 61% of the total completions, followed by oil at 28% of total completions. (The remainder in both periods is comprised of dry and service wells) This change in mix makes the oil well drilling industry less vulnerable to swings in natural gas prices than it once was. Management believes that oilfield activity will remain robust as long as oil prices remain within $20 of the $100 mark.

The Diesel supply in western Canada has returned to normal in large part due to warmer weather. While the supply disruption in the fourth quarter constrained Parkland's ability to sign new customers, it demonstrated to current and potential customers the advantages of working with a fuel marketer with multiple supply options who is capable of meeting its fuel volume commitments. In addition, through the shortage, Parkland established relationships with potential customers that will be leveraged for business development in 2012.

In the areas where Parkland sells propane, a regional presence has allowed Parkland to maintain stability. The recent exit of a major competitor in some markets will allow Parkland to increase sales in these areas.

The commercial division will continue with the integration of its western assets with an aim to simplify and standardize the business. Across the country, organic growth will be driven by aggressive sales activity and maintained through superior customer service. With fuel volumes under pressure due to warmer weather, there will be a focus on cost containment and margins. In parallel, Parkland has kicked off the strategic cost initiative that will move the Corporation further towards having the lowest transaction and operating cost structure in the industry.

Working Capital Requirements

Because collection isn't immediate in most commercial transactions, during the first and fourth quarters (periods of higher commercial fuel sales) receivables in the Commercial Fuels division tend to build up and then diminish in the second and third quarters as the accounts are collected.

Markets

On December 31, 2011, Parkland Commercial Fuels had 126 commercial locations.

Province	Cardlock	Branch	Branch & Cardlock	Grand Total
Alberta	14	12	10	36
British Columbia	18	11	11	40
New Brunswick			1	1
Nova Scotia	3	10	4	17
Northwest Territories			2	2
Ontario		8	6	14
Prince Edward Island	12	2		14
Saskatchewan		1		1
Yukon			1	1
Grand Total	**47**	**44**	**35**	**126**

Customers

Parkland Commercial Fuels has a diverse customer base operating across a broad cross-section of industries with no single customer accounting for more than 5% of consolidated revenue. This customer base includes:

- Oil and gas industry participants;
- Mining operations;
- Forestry operations;
- Agricultural operations;
- Residential heating fuel clients; and
- Other industrial operations.

Because of its customer diversity, as well as the wide geographic scope of Parkland's service offering and the range of segments in which it operates, a downturn in the activities of individual customers or customers in a particular industry is not expected to have a material adverse impact on the operations of Parkland.

PARKLAND RETAIL FUELS

Parkland Retail Fuels operates and services a nationwide network of retail service stations that serve Canadian motorists from coast to coast.

Fuel volumes from Parkland Retail Fuels for the three months ended December 31, 2011 accounted for 42% of the Corporation's total volume compared with 38% for the same period of 2010. Retail fuel revenue increased 34% to $400.2 million in the fourth quarter of 2011 compared with $297.9 million in the fourth quarter of 2010.

Parkland is a Retail Branded Distributor for Imperial Oil Limited with locations in British Columbia, Alberta, Saskatchewan and Ontario operating under the Esso brand. Parkland also maintains two proprietary brands: Fas Gas Plus and Race Trac.

Parkland operates service stations under the following business models:

Independent Dealers – These dealer-owned, dealer-operated sites enter into a contract with Parkland for fuel supply, the rights to a brand offering, and a point-of-sale system. Parkland profits are derived from the fuel sold to these operators. As a wholesale business, margins remain fairly fixed in this segment, and the dealer takes the fuel price risk. In addition, Parkland doesn't take on the capital asset risk for these sites.

Parkland Retailers – These company-owned, retailer-operated sites are managed by independent entrepreneurs ("retailers") who provide and manage staff in exchange for a commission on fuel volumes sold, and pay rent to Parkland based on a percentage of non-fuel sales revenue.

Using the retail commission model offers several advantages including reducing overhead and operating costs, transferring ownership of convenience store inventories and their corresponding shrinkage risks to the retailer, and leveraging the initiative and work ethic of these entrepreneurs who are given incentives to achieve Parkland's business objectives.

The retail fuel business is highly competitive, with margins ultimately dependent on wholesale fuel costs and retail fuel prices. Parkland utilizes the dealer model to limit its margin exposure in the more competitive, larger urban markets where retail fuel sales are dominated by major oil companies and by more recent entrants such as grocery store chains and large retailers. Parkland's owned sites operate in markets where the average sales volume per site is lower but earnings are generally enhanced by less price volatility, lower overhead costs and less expensive real estate. Parkland will continue to target growth by leveraging its multi-brand strategy within its existing network and through the acquisition of new sites.

Seasonality

Parkland's retail business is seasonal, reflecting increased travel during the summer months. In general, the second and third quarters are the busiest periods for Retail Fuels

Retail EBITDA fluctuates roughly according to the following schedule

	Q1	Q2	Q3	Q4	Total
Retail EBITDA	19%	27%	32%	22%	100%

Volume and Margin Review

	Three months ended December 31,		Year ended December 31,	
	2011	2010	2011	2010
Volume (millions of litres)	464	376	1,687	1,470
Fuel gross profit (millions of Canadian dollars)	23.4	18.5	85.7	77.4
Fuel gross profit (cents per litre)	5.04	4.92	5.08	5.27

Operational Review

Q4 2011 vs. Q4 2010

For the three months ended December 31, 2011, Parkland Retail Fuels' volumes increased 23% to 464 million litres compared with 376 million litres for the same period in 2010. The increase was the result of additional fuel volumes attributable to the Cango acquisition, network growth in Parkland's company-owned and dealer network, partially offset by the following factors:

- Diesel shortages across western Canada which led to diesel run-outs at approximately 100 retail sites;
- Planned rationalization of underperforming stations in both Parkland's and Cango's network;
- Temporary closures for the purpose of upgrades; and
- Warm weather impacting demand for Fas Gas Plus' full serve offering.

Across Parkland's retail network, average quarterly volumes increased to 621 thousand litres per location for the three months ended December 31, 2011 compared with 607 thousand litres per location during the same period in 2010. The increase in sales is attributable to the acquisition of higher throughput dealer locations in Ontario acquired with the Cango transaction.

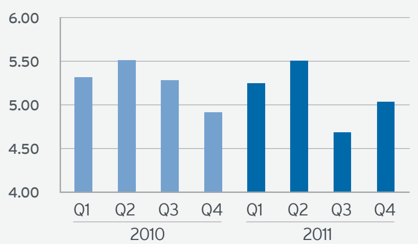
Sequential Margin Review

Sales and operating revenue will fluctuate on a cents per litre (cpl) basis and on a gross basis with the price of crude oil, the primary input for fuel. Net fuel gross profit on a cents per litre basis drives the profitability of the Commercial Fuels division, and is the metric that management monitors when reviewing the division's performance and profitability.

Overall, Parkland Retail Fuels' gross profit in the fourth quarter of 2011 increased by 2% to 5.04 cpl compared with 4.92 cpl in the fourth quarter of 2010. Compared with the third quarter of 2011, fuel gross profit on a cents per litre basis increased by 7%.

Fuel margins in the fourth quarter of 2011 reflect the addition of Cango's Ontario locations which generally have higher throughput but lower margins compared to western locations that have lower average throughput but higher average margins. This was offset by improvements in the competitive environment across certain regions in Canada, leading to higher margins for the quarter. The Cango business, which was acquired June 22, 2011, is performing on target with management's expectations.

Retail Margins CPL



Retail Margins

In the fourth quarter of 2011 retail margins increased 2% year over year compared with the same period in 2010 and increased by 7% when compared to the third quarter of 2011. This reflects the net effect of higher-volume, lower-margin stations in the Cango network and favourable shifts in the competitive environment.

2011 vs. 2010

In 2011, Parkland Retail Fuels' volumes increased 15% to 1.7 billion litres compared with 1.5 billion litres in 2010. The increase was the result of additional fuel volumes attributable to the acquisitions of Cango and general network growth through the acquisition of new sites and continued expansion of the dealer business.

Retail Fuels' gross profit decreased by 4% to 5.08 cpl compared with 5.27 cpl in 2010 as the result of increased competition that was particularly evident in the first and third quarters.

Divisional Outlook

Cango Inc. ("Cango"), and the seven retail fuel outlets acquired from Overwaitea Food Group ("Save On") that have been re-branded to Fas Gas will contribute to increased volumes through the first and second quarters of 2012 compared with the same periods in 2011.

Europay MasterCard and Visa ("EMV") is the global standard for chip-based credit and debit card payments that is required for all retailers in Canada. EMV compliance within Parkland's retail fuel network was achieved in the fourth quarter for in-store sales, and will be rolled out at Parkland's pay-at-the-pump locations in the second quarter of 2012.

Fas Gas Plus currently offers customers a cash back loyalty program known as the Litre Log™. This paper-based program allows customers to accumulate 3 cents per litre each time they fuel up and receive a loyalty reward in the form of cash after 12 fills or 200 litres. Parkland continues to investigate an electronic loyalty delivery system.

Province	Parkland Retailers	Independent Dealers	Grand Total
Alberta	78	198	276
British Columbia	17	83	100
Manitoba	12	11	23
New Brunswick		2	2
Nova Scotia		3	3
Northwest Territories		3	3
Ontario	18	184	202
Prince Edward Island		6	6
Quebec		1	1
Saskatchewan	32	93	125
Yukon Territories		6	6
Grand Total	157	590	747

Compared to the 762 stations that were reported for the period ending September 30, 2011, there were 15 fewer stations for the period ending December 31, 2011 due to the planned closure of underperforming sites within the Cango network (total annual volume of less than 20 million litres), and within Parkland's core network. This will be partially offset by additional sites opening or re-opening in the near future following construction and upgrading.

Brands

Parkland's multi-brand strategy allows the Corporation to provide an offering that targets different segments of the fuel market.

	Fas Gas Plus	Race Trac	Esso	Other	Grand Total
Independent Dealers	73	114	351	52	590
Parkland Retailers	98	2	31	26	157
	171	116	382	78	747

Fas Gas Plus – Fas Gas Plus is a community-focused independent brand that brings consumers an urban offering in non-urban markets through a large well merchandised convenience store, a strong loyalty program, and a friendly operator. Parkland's strategy is to continue to maximize penetration of its Fas Gas Plus brand throughout its traditional non-urban markets by investing in the Fas Gas Plus station upgrade and conversion program and acquiring new sites.

Esso – The Esso Retail Branded Distributorship agreement provides Parkland with the opportunity to offer Esso's nationally recognized brand to independent operators or within the Corporation's operated network in Alberta, Saskatchewan, British Columbia, Ontario and the Northwest Territories.

Race Trac – Is designed for the independent dealer that might not be able to meet the brand standards required by Parkland's other brand offerings but who wants to get into the market. Parkland has focused on increasing the brand value of Race Trac to the operators. The Race Trac brand is positioned for locations or markets where the Fas Gas Plus or Esso brands are not suited and is an important part of Parkland's brand portfolio.

Other – In most cases "Other" represents brands that are being migrated to Parkland's primary brand offerings.

Customers

Parkland Retail Fuels sells products to Canadian motorists through its network of retail gas stations. Fuel products sold through this network include gasoline and diesel fuel.

PARKLAND WHOLESALE, SUPPLY AND DISTRIBUTION

Parkland Wholesale, Supply and Distribution ("WS&D") is responsible for managing Parkland's fuel supply contracts, purchasing fuel from refiners, distribution through third party long-haul carriers, and serving wholesale and reseller customers.

Factoring out intersegment sales to Parkland's other business units, for the three months ended December 31, 2011, fuel volumes sold via Parkland's Wholesale channel accounted for 25% of the Corporation's total fuel distribution compared with 17% for the same period of 2010.

Refinery Contracts – Fuel supply contracts are maintained with eight oil refiners. This diversity of supply allows Parkland to obtain fuel at highly competitive prices and enhances the security of the Corporation's fuel supply by reducing the risk associated with any one supplier. Maintaining lifting rights at a multitude of refineries and primary terminals across Canada provides Parkland with the flexibility to serve customers in a timely and secure fashion.

Bowden Terminal – Parkland is in the process of converting its refinery storage into a terminal with a 200,000 barrel fuel storage capacity in Bowden, Alberta. The rail siding and rail car unloading station have now been installed. Construction continues on retrofitting the facility with a new loading rack for long-haul and short-haul fuel transport trucks and adding the piping and pumping capacity required to operate the terminal. The capital cost of converting this facility to a terminal is expected to be approximately $21 million. The terminal is expected to be active in the fourth quarter of 2012.

Suncor Contract

On December 31, 2010, Parkland received notice that the current supply contract with Suncor Energy Inc. ("Suncor") will be terminated on December 31, 2013. Parkland currently purchases approximately one billion litres of fuel from Suncor annually under this agreement, which is priced using a formula that allows Parkland to benefit from a portion of refining margins.

This contract accounts for less than one-quarter of Parkland's total fuel supply. Parkland does not anticipate any issues replacing the volumes by 2014.

Operational Review

Q4 2011 vs. Q4 2010

Fuel gross profits from Supply and Wholesale for the three months ended December 31, 2011 increased 109% to $11.5 million compared with $5.5 million for the same period in 2010 primarily due to refiners' margins.

Parkland's Wholesale, Supply and Distribution Division, a part of the Fuel Marketing Segment, includes profits from Parkland's participation in refiners' margins and profits from wholesale fuel sales.

Refiners' margins refer to the profit made between the cost of the crude oil required to produce fuel, and the wholesale price received by refiners for the fuel they sell. Refiners' margins in 2011 were strong due primarily to weak mid-continent and Canadian crude prices relative to Brent Crude prices. As mid-continent crude spreads narrowed, and Edmonton gasoline rack prices weakened in November and December, refiners' margins declined.

The diesel shortage in western Canada between October and December 2011 was managed by WS&D. By finding diesel supply options for the Corporation's commercial and retail business units during this diesel shortage, Parkland's WS&D department played a large role in mitigating the impact of the shortage on Parkland's operations. Spot wholesale diesel sales were trimmed in the fourth quarter to ensure the fuel requirements of contracted customers across the division were met.

The wholesale division continued the process of optimizing the entire wholesale portfolio to achieve an optimal mix between volume, margin, and capital employed. By tightening terms on certain accounts, Parkland is targeting improved return on capital employed.

During the quarter, further national focus was brought to the distribution function with the improvement and standardization of agreements and metrics for Parkland's hired truck and rail carriers.

2011 vs. 2010

Fuel gross profits from Supply and Wholesale for 2011 increased 323% to $71.0 million compared with $16.8 million in 2010 primarily due to strong refiners' margins in 2011.

Divisional Outlook

Refiners' margins have strengthened since December 2011.

Parkland will continue to optimize a number of key supply agreements in 2012 that will improve Parkland's supply economics, diversify the supply portfolio, and provide further supply security and flexibility for customers. Parkland will not announce new contracts due to the confidential and sensitive nature of the volume and pricing information of these supply agreements.

The Bowden terminal conversion project continues. The terminal is scheduled to open in the fourth quarter of 2012. Bowden will enhance Parkland's storage and supply capability for western Canada, and will also be available for third parties to lease tankage for the storage of petroleum products.

Review of the Eight Most Recent Quarters

A Summary of the Eight Most Recently Completed Consolidated Quarterly Results (millions of Canadian dollars, except volume and per Share/Unit amounts)

				2011				2010
($000's except per Share/Unit amounts) For the three months ended,	Dec-31	Sep-30	Jun-30	Mar-31	Dec-31	Sep-30	Jun-30	Mar-31
			(restated)		(restated)			
Sales and operating revenue	1,014,313	1,060,775	950,290	955,099	824,591	790,825	600,556	675,201
Cost of sales	911,197	958,203	861,152	841,479	729,319	718,273	522,635	604,782
Gross profit	103,116	102,572	89,138	113,620	95,272	72,552	77,921	70,419
Expenses								
Operating costs	44,522	39,937	40,572	47,637	40,999	33,830	32,569	31,448
Marketing, general and administrative	22,367	20,601	23,890	19,999	19,996	20,702	17,218	20,303
Depreciation and amortization	16,728	14,349	20,017	17,350	16,788	16,551	15,697	13,881
	19,499	27,685	4,659	28,634	17,489	1,469	12,437	4,787
Customer finance income	(654)	(905)	(691)	(589)	(575)	(329)	(138)	(479)
Finance cost	10,538	8,906	8,382	8,886	8,779	8,191	8,479	1,918
Net Finance costs	9,884	8,001	7,691	8,297	8,204	7,862	8,341	1,439
(Gain) loss on disposal of property, plant and equipment	(1,107)	(14,376)	436	(891)	(491)	(1,344)	(1,643)	359
Unrealized risk management loss	928	–	–	–	–	–	–	–
Earnings (loss) before income taxes	9,794	34,060	(3,468)	21,228	9,776	(5,049)	5,739	2,989
Income tax expense (recovery)								
Current	3,770	8,607	1,052	6,627	28	(28)	3,500	(3,500)
Deferred	(1,359)	993	(307)	(1,684)	(1,926)	(3,776)	(10,474)	2,803
	2,411	9,600	745	4,943	(1,898)	(3,804)	(6,974)	(697)
Net earnings (loss)	7,383	24,460	(4,213)	16,285	11,674	(1,245)	12,713	3,686
Net earnings (loss) per Share/Unit								
– basic	$0.12	$0.41	(0.09)	0.30	$0.22	(0.02)	0.25	0.07
– diluted(1)	0.12	0.36	(0.09)	0.28	0.21	(0.02)	0.23	0.02
Shares/Units outstanding	64,354	63,113	62,120	54,048	53,164	47,755	47,675	47,565
Non GAAP Financial Measures								
EBITDA	35,953	42,939	25,367	46,573	34,852	18,349	28,272	19,147
Distributable cash flow	26,473	52,707	15,430	31,922	26,364	9,722	17,884	13,049
Distributable cash flow per share	0.41	0.84	0.25	0.59	0.50	0.20	0.38	0.27
Dividends/distributions	16,272	16,021	14,527	13,696	15,176	14,913	15,177	14,553
Dividends/distribution to distributable cash flow payout ratio	61%	30%	94%	43%	58%	153%	85%	112%
Key Metrics:								
Fuel volume (millions of litres)	1,096	1,098	923	1,044	981	901	802	816
Return on capital employed (ROCE)	13.0%	13.3%	9.2%	10.9%	7.6%	5.5%	8.7%	10.4%
Net unit operating costs (NUOC)	3.52	3.57	4.39	3.89	3.21	3.72	3.02	3.71
Employees	1,267	1,229	1,393	1,431	1,561	1,545	1,536	1,554
Key Metrics – Cents per litre:								
Average fuel retail gross profit	5.04	4.69	5.51	5.25	4.92	5.29	5.52	5.35
Average fuel commercial gross profit	8.61	7.30	8.04	9.68	8.51	6.89	7.90	9.38
Operating costs	4.06	3.64	4.40	4.56	4.18	3.75	4.06	3.85
Marketing, general and administrative	2.04	1.88	2.59	1.92	2.04	2.30	2.15	2.49
Depreciation and amortization expense	1.53	1.31	2.17	1.66	1.71	1.84	1.96	1.70

(1) Diluted earnings (loss) per Share/Unit can be impacted by an anti-dilutive impact of conversion of the debentures. Quarterly diluted earnings (loss) per Share/Unit may therefore not accumulate to the same per Share/Unit value as the year to date calculation.

Non-GAAP Measures

This MD&A is prepared under Canadian generally accepted accounting principles ("GAAP") and reflects Parkland's adoption of International Financial Reporting Standards ("IFRS") as disclosed in this MD&A. However, in this document there are references to non-GAAP measures such as EBITDA and Distributable Cash Flow.

EBITDA refers to earnings before finance costs (accretion on refinery remediation, accretion on asset retirement obligation, interest on long-term debt, interest and accretion on convertible debentures and revaluation of embedded derivatives), income tax expense (recovery), depreciation and amortization, and gain on disposal of property, plant and equipment. It can be calculated from the GAAP amounts included in Parkland's financial statements. Parkland believes that EBITDA is a relevant measure to users of its financial information as it provides an indication of pre-tax earnings available to distribute to Parkland's debt and equity holders.

EBIT refers to EBITDA defined above, less depreciation and amortization, and gain on disposal of property, plant and equipment.

Net Unit Operating Cost (NUOC) is calculated by adding marketing, general and administrative and operating costs less non-fuel commercial and other non-fuel gross profits, as shown in the "Segmented Results" section of this MD&A, divided by total fuel volumes. Management uses NUOC as a measure of organizational efficiency, it is expressed on a cents per litre basis.

Senior Debt is defined as the sum of other loans, extendible facility, and mortgage payable, including current portions, less cash and cash equivalents and restricted cash.
Net Debt is defined as Senior Debt, plus capital leases, including current portion, other long-term liabilities, including current portion, and convertible debentures.

Interest Coverage refers to EBIT, divided by total interest expense. Interest expense is the sum of interest on long-term debt plus interest on convertible debentures.

Distributable Cash means cash flows from operating activities that are adjusted for but are not limited to the impact of the seasonality of Parkland's businesses by removing for non-cash working capital items, thereby eliminating the impact of the timing between the recognition and collection/payment of Parkland's revenues and expenses, which can from quarter to quarter differ significantly. Parkland's calculation also distinguishes between capital expenditures that are maintenance related and those that are growth related including expenditures on intangible assets, in addition to allowing for the proceeds received from the sale of capital items.

Maintenance capital is the amount of capital funds required in a period for an enterprise to maintain its future cash flow from operating activities at a constant level of productive capacity. Parkland defines its productive capacity as the volume of fuel and propane sold, volume of convenience store sales, volume of lubricants sales, agricultural inputs and delivery capacity. The adjustment for maintenance capital in the calculation of standardized distributable cash is capital expenditures during the period, excluding the cost of any growth asset acquisitions or proceeds of any asset dispositions. Parkland believes that the current capital programs, based on the current view of its assets and opportunities and the outlook for fuel supply and demand and industry conditions, should be sufficient to maintain productive capacity in the medium term. Due to the risks inherent in the industry, particularly the reliance on external parties for supply of fuel and propane and general economic conditions and weather that affects customer demand, there can be no assurance that capital programs, whether limited to the excess of cash flow over dividends or not, will be sufficient to maintain or increase production levels or cash flow from operating activities.

Parkland's calculation of standardized distributable cash has no adjustment for long-term unfunded contractual obligations. Parkland believes the only significant long-term unfunded contractual obligation at this time is for asset retirement obligations and refinery remediation, both of which are expected to be deferred for an extended period of time.

Although it is typical for Parkland's cash flow to have seasonal fluctuations, the current intention of Parkland's Directors is to pay consistent regular monthly dividends throughout the year based on estimated annual cash flow. Parkland's Directors review dividends quarterly giving consideration to current performance, historical and future trends in the business, expected sustainability of those trends, as well as capital betterment requirements to sustain performance.

EBITDA and Distributable Cash are not recognized earnings measures and do not have standardized meanings prescribed by GAAP. Readers of this MD&A are cautioned that EBITDA and Distributable Cash should not be construed as an alternative to net earnings or loss determined in accordance with GAAP as an indicator of Parkland's performance or to cash flows from operating, investing and financing activities as a measure of liquidity and cash flows.

Parkland's method of calculating EBITDA and Distributable Cash may differ materially from the methods used by other issuers and, accordingly, may not be comparable to similarly titled measures used by other issuers. Distributable Cash is not assured, and the actual amount received by shareholders will depend on, among other things, the Corporation's financial performance, debt covenants and obligations, working capital requirements, future capital requirements and the deductibility of items for income tax purposes, all of which are susceptible to a number of risks, as described in Parkland's public filings available on SEDAR at www.sedar.com.

Critical Accounting Estimates

Estimates are used when accounting for items such as: impairment and valuation allowances for accounts receivable and inventory; calculation of fair value for the convertible debentures; intangibles and goodwill; amortization of property plant and equipment; asset retirement obligations; refinery remediation accrual; amortization; and income taxes. These estimates are subject to measurement uncertainty and the effect on the financial statements of future periods could be material.

ACCOUNTS RECEIVABLE

Parkland's accounts receivable have been reduced for amounts that have been deemed uncollectible. At December 31, 2011, the provision for credit losses was $10.7 million (December 31, 2010 – $8.3 million). This amount is based on management's judgment and assessment of the financial condition of Parkland's customers and the industries in which they operate. The provision for credit losses is subject to change as general economic, industry and customer specific conditions change.

INVENTORY

Parkland's inventory is comprised mainly of products purchased for resale including fuel, lubricants, agricultural and convenience store products. The products are valued at the lesser of cost or net realizable value. The determination of the net realizable value includes certain estimates and judgements which could affect the ending inventory valuations.

AMORTIZATION AND ACCRETION

The amortization of capital assets and intangibles incorporates the use of estimates for useful lives and residual values. These estimates are subject to change as market conditions change or as operating conditions change. Accretion expense is recognized on the estimated future asset retirement obligations for current sites and for the future estimated cost of the Bowden refinery remediation. These future obligations are estimated and subject to change over time as more experience is obtained or as conditions change.

Effective July 1, 2011, the amortization period for customer relationships included in intangible assets has changed. Prior to the start of the third quarter of 2011, Parkland amortized all customer relationships included in intangible assets acquired through acquisition over a five year period. With this change in estimate effective July 1, 2011, onwards, customer relationships are prospectively amortized over a five- to thirteen-year period. The impact commencing July 1, 2011 is to decrease amortization expense by approximately $3.5 million a quarter or $14.1 million a year.

ASSET RETIREMENT OBLIGATIONS

The estimated future costs to remove underground fuel storage tanks at locations where Parkland has a legal or constructive obligation to remove these tanks are recorded as asset retirement obligations at the time the tanks are installed. A corresponding increase to the carrying value of the fuel storage tanks is also recorded at installation. The future retirement costs are estimated in consultation with Parkland's environmental technicians and based on industry standards and would be subject to change as more experience is obtained and as conditions change. The costs are expected to be incurred between 2012 and 2046 and the total undiscounted obligation at December 31, 2011 was estimated at $31.1 million with a net present value of the obligations accrued at December 31, 2011 of $25.5 million (December 31, 2010 – $12.3 million).

INTANGIBLES AND GOODWILL

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

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

INCOME TAXES

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

CONVERTIBLE DEBENTURES

Under Previous GAAP, before the December 31, 2010 conversion to a corporation from a trust (the "Conversion"), a portion of the proceeds of the Debentures was allocated to unitholders' capital, representing the value of the conversion feature. Under IFRS, an equity portion is not determined; rather the embedded derivative arising from the equity conversion feature is valued at each reporting date with the change in value at each reporting period included in the Consolidated Statements of Comprehensive Income in finance costs as "revaluation of embedded derivative". Under IFRS, the binomial method was used to value the conversion feature for the Debentures. On Conversion the Series 1 Debentures had a conversion feature value of $0 and the previously recognized conversion feature of $5,266 was revalued accordingly. Upon issuance on December 21, 2010 and at Conversion, the Series 2 Debentures had a conversion value of $0. Post Conversion, there is no requirement to further revalue the conversion feature. The debt balance of the Debentures in the Consolidated Balance Sheets, net of issue costs and the value of the conversion feature at Conversion, accretes over the remaining term of the Debentures. Using the effective interest rate method, the accretion of the debt discount and the interest paid to debenture holders are expensed each period as part of the item line "interest and accretion on convertible debentures" in the Consolidated Statements of Comprehensive Income.

BOWDEN REFINERY

In December 2004, Parkland eliminated the carrying value of its Bowden refinery and recorded a net liability of $3.4 million for future estimated costs of remediation of the site, based on the uncertainty of creating an alternative to the refinery being dismantled and remediated. The Refinery Remediation Accrual represents the present value estimate of Parkland's cost to remediate the site.

Parkland has previously used the refinery site for processing fluids used in the oilfields. The contract was terminated and Parkland is, therefore, continuing to pursue other economically viable uses for the refinery site. Parkland uses the tanks for storage and has been upgrading the equipment for use as a railroad terminal and plans to use the tanks for storage and shipping product by rail. Therefore, any decision to dismantle, remediate and sell the refinery site has been deferred. The obligations relating to future environmental remediation, however, continue to exist. The timing of this remediation is uncertain at this point in time.

In September 2011, Parkland sold the refinery catalyst, which is used to purify crude during a chemical process, for $2.0 million, with a gain on disposal of $0.8 million.

Assuming Parkland continues operations at the refinery site, remediation for any potential environmental liabilities associated with a complete dismantling of the site would be delayed indefinitely. Parkland has estimated the discounted cost of remediation on the basis that operations continue and that remediation would be part of a multi-year management plan. Remediation costs have been estimated using independent engineering studies conducted in December 2007. The total undiscounted estimated future cash flows, to be incurred over an extended period after operations cease, are approximately $15.9 million (December 31, 2010 – $13.8 million). The costs are expected to be incurred between 2018 and 2027. The discount rate used to determine the present value of the future costs is 4.31% (December 31, 2010 – 6.90%).

Impairment of Assets

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

The Corporation did not identify any indicators of impairment at the Transition Date. An impairment test was conducted at the Transition Date and the recoverable amount of the CGU was determined on a value in use basis. This calculation used pre-tax cash flow projections based on expected performance and on management's expectations of market developments. The growth rates used were consistent with the forecasts included in industry reports. Pre-tax discount rates reflect specific risks relating to the CGU.

Financial Instruments

CREDIT AND MARKET RISK

A substantial portion of Parkland's accounts receivable balance is with customers in the oil and gas, mining and forestry industries and is subject to normal industry credit risks. The credit risk is minimized by Parkland's broad customer and geographic base. In light of the current market conditions, Parkland's credit department has been expanded and policies have been strengthened to control the credit-granting process. The Corporation manages its exposure to credit risk through rigorous credit-granting procedures, typically short-payment terms and security interests where applicable. The Corporation attempts to closely monitor the financial conditions of its customers and the industries in which they operate. Parkland performs ongoing credit evaluations of its customers and outstanding debts are regularly monitored.

As at December 31, 2011, Parkland's accounts receivable balance was $329.8 million, up $44.5 million from the December 31, 2010 balance of $285.3 million. The increase in accounts receivable is principally due to the 31% increase in Commercial Fuels sales from the fourth quarter of 2010 to the fourth quarter of 2011, and 34% increase in Retail Fuels sales, primarily due to the acquisition of Cango Fuels Inc. and higher wholesale prices at refineries across the country compared to the same quarter in 2010. Parkland has experienced an 11% improvement in the average period of time trade accounts receivable are outstanding in the fourth quarter of 2011 compared to the fourth quarter of 2010.

Accounts receivable outstanding for more than 90 days past terms have decreased by $4.4 million from $12.9 million at December 31, 2010 to $8.5 million at December 31, 2011. At December 31, 2011, the provision for credit losses was $10.7 million, up $2.4 million from $8.3 million as at December 31, 2010. Parkland considers the total reserve to be adequate.

INTEREST RATE RISK

Parkland is exposed to market risk from changes in the Canadian prime interest rate which can impact its borrowing costs. The $97.8 million series 1 convertible unsecured subordinated debentures bear interest at a 5-year annual fixed rate of 6.5% payable semi-annually in arrears on November 30 and May 31 in each year commencing May 31, 2010. The $45.0 million principal amount of series 2 convertible unsecured subordinated debentures bear interest at a 5-year annual fixed rate of 5.75% payable semi-annually in arrears on June 30 and December 31 in each year commencing June 30, 2011. The fixed rates of the series 1 and series 2 convertible unsecured subordinated debentures reduce Parkland's exposure to variable rates.

FOREIGN EXCHANGE RISK

The Corporation purchases certain products in U.S. dollars and sells such products to its customers typically in Canadian dollars. As a result, fluctuations in the value of the Canadian dollar to the U.S. dollar can result in foreign exchange gains and losses. As at December 31, 2011, Parkland had U.S. dollar accounts payable totalling US$1.8 million and cash of US$0.1 million. Therefore, the Corporation is not exposed to a significant foreign exchange loss.

OFF-BALANCE SHEET ARRANGEMENTS

Parkland has not engaged in any off-balance sheet arrangements.

Business Risks

RISKS RELATED TO THE BUSINESS AND THE INDUSTRY

Retail Pricing and Margin Erosion

Retail pricing for motor fuels is very competitive, with major oil companies and newer entrants such as grocery chains and large retailers active in the marketplace. From time to time, factors such as competitive pricing, seasonal oversupply, and lack of responsiveness of retail pricing to changes in crude oil costs can lead to lower margins in Parkland's business. This is normally limited to seasonal time frames or limited market areas but could occur more extensively. Furthermore, difficult fuel market conditions may also adversely affect Parkland's major customers and create increased credit risk. These risks are partially mitigated by Parkland's other sources of revenue, conservative credit policies, geographic diversification and the wholesale business, which typically would only share in a portion of any market erosion. There can be no assurances that such mitigation efforts will be adequate, in whole or in part.

Competition

Parkland competes with major integrated oil companies, other commercial fuel and propane marketers, convenience store chains, independent convenience stores, gas station operators, large and small food retailers, discount stores and mass merchants, many of which are well-established companies. In recent years, several non-traditional retail segments have entered the motor fuel retail business, including supermarkets, club stores and mass merchants. These non-traditional motor fuel retailers have obtained a significant share of the motor fuel market and this could grow. In some of Parkland's markets, competitors have been in existence longer and have greater financial, marketing and other resources than Parkland does. Parkland may not be able to compete successfully against current and future competitors, and competitive pressures faced by Parkland could materially and adversely affect Parkland's business, results of operations and financial condition.

Volatility in Crude Oil Prices and in Wholesale Petroleum Pricing and Supply

Parkland's motor fuel and propane revenues are a significant component of total revenues. Crude oil and domestic wholesale petroleum markets display significant volatility. Parkland is susceptible to interruptions in supply. General political conditions and instability in oil producing regions, particularly in the Middle East, Africa and South America, could significantly and adversely affect crude oil supplies and wholesale production costs. Local supply interruptions may also occur. Volatility in wholesale petroleum supply and costs could result in significant changes in the retail price of petroleum products and in lower fuel gross margin per litre. Higher supply and fuel costs can also result in increased working capital and corresponding financing requirements.
In addition, changes in the retail price of petroleum products could dampen consumer demand for motor fuel. These factors could materially influence Parkland's motor fuel volume, motor fuel gross profit and overall customer traffic which, in turn, could have a material adverse effect on the Corporation's operating results and financial condition. The development of the oil sands in northern Alberta, together with upgraders producing a distillate stream, has the potential to add significant supply volumes in the diesel market over time. Production at these facilities is subject to production interruptions which can periodically disrupt the availability of refined product in the region.

Parkland's supply contract with Suncor allows Parkland to participate in refiners' margins. These margins are volatile and not assured. As a result, Parkland has taken measures intended to improve the probability of achieving its share of the related refining margins through a hedging program utilizing put option contracts. The contracts are intended to protect against potential unfavorable declines in refining margins and are based on the forecasted Suncor volume for both heating oil and gasoline. The put options available are NYMEX-based contracts, which although historically have strongly correlated to products purchased by Parkland in Canada, can also have a varying degree of basis risk that cannot be managed. Parkland has received notice from Suncor that the supply contract will terminate on December 31, 2013. The Suncor supply contract represents annual fuel volume of approximately one billion litres. Suncor volumes currently account for approximately one-quarter of Parkland's total fuel supply, and the Corporation is continually negotiating new supply agreements for its supply portfolio. In anticipation of receiving Suncor's notice of termination, Parkland has already started developing alternate supply options and related facilities to economically replace the fuel supply contract with Suncor. Parkland does not anticipate any issues with replacing the Suncor supply volumes for 2014.

Credit

Parkland grants credit to customers ranging from small independent service station operators to larger reseller and commercial/industrial accounts. These accounts may default on their obligations. Parkland manages this exposure through rigorous credit granting procedures, typically short payment terms and security interests where applicable. Parkland attempts to closely monitor the financial conditions of its customers. As a result of delayed invoicing caused by Parkland's 2010 ERP implementation, certain customer accounts and balances have aged beyond normal terms which could result in increased bad debts.

Safety and Environmental

The operation of service stations, refinery facilities and petroleum, propane and anhydrous ammonia transport trucks and commercial facilities carry an element of safety and environmental risk. To prevent environmental incidents from occurring, Parkland has extensive safety and environmental procedures and monitoring programs at all of its facilities. To mitigate the impact of a major accident, Parkland has emergency response programs in place and provides its employees with extensive training in operational responsibilities in the event of an environmental incident. Parkland is insured for all major environmental risk areas. There can be no assurances that such insurance will be adequate to cover all potential losses or that Parkland's mitigation efforts will be effective, in whole or in part.

Dependence on Key Suppliers

Parkland's business depends to a large extent on a small number of fuel suppliers, a number of which are parties to long-term supply agreements with Parkland. An interruption or reduction in the supply of products and services by such suppliers could adversely affect Parkland's revenue and dividends in the future. Furthermore, if any of the long-term supply agreements are terminated or end in accordance with their terms, Parkland may experience disruptions in its ability to supply customers with products until a new source of supply can be secured, if at all. Such a disruption may have a material negative impact on Parkland's revenues, dividends and its reputation. Additionally, Parkland cannot ensure that it will be able to renegotiate such agreements or negotiate new agreements on terms favourable to Parkland.

Parkland attempts to mitigate this risk by maintaining a diverse supply portfolio to include substantial volumes from each of its major suppliers and growing to a level of annual sales volumes that will offer potential suppliers a compelling share of the fuel supply business in the Corporation's regional market. However, there can be no assurances that such mitigation efforts will be adequate, in whole or in part. Parkland's supply contract with Suncor will terminate on December 31, 2013. The Suncor supply contract represents a large annual fuel volume of approximately one billion litres annually. In addition to Suncor, Parkland has contracts in place with seven refiners with contract durations ranging from one to seven years and approximately 50% of Parkland's fuel volumes correspond to contracts with three years or more remaining.

Economic Conditions

Demand for transportation fuels fluctuates to a certain extent with economic conditions. In a general economic slowdown there is less recreational and industrial travel and, consequently, less demand for fuel products, which may adversely affect Parkland's revenue, profitability and ability to pay dividends.

Parkland serves the farm trade. This sector is subject to weather variation and commodity price fluctuation.

The oil and gas exploration sector is subject to changes in commodity prices and access to capital which impacts the drilling budgets of Parkland's customers. This largely affects oilfield fluids, propane and bulk fuel sales directly as well as impacts communities in primary exploration regions in Alberta and northern British Columbia.

The oil production sector is more stable but is impacted by long-term trends in exploration activity. Parkland provides propane and related product sales to this sector.

Forestry has seen reduced activity over the past several years and future activity is dependent upon trends in construction activity.

Mining is susceptible to variations in commodity prices. Parkland's fuel customers include several mines producing different metals and their demand for fuel may decline.

Part of Parkland's profitability is derived from its share of refiners' margins under the supply contract with Suncor. Refiners' margins may deteriorate in the face of declining demand for petroleum products or surplus refining capacity.

Weather

Parkland's sales volume and profitability are subject to weather influences especially winter temperatures. Parkland's heating oil and propane sales are greatest in the winter months but can be lower than normal if winter temperatures are warmer. Parkland has propane and heating oil operations in Atlantic Canada, Ontario, Alberta, British Columbia and the Yukon Territory which all experience different weather patterns which can mitigate the impacts of regional winter temperature differences. In the spring and fall seasons, weather can negatively influence agricultural product sales in the Parkland Commercial Fuels Division.

Dependence on Key Personnel

Parkland's success is substantially dependent on the continued services of senior management, many of whom are relatively new to their position at Parkland. The loss of the services of one or more members of senior management could adversely affect Parkland's operating results. In addition, Parkland's continued growth depends on the ability of Parkland and its subsidiaries to attract and retain skilled operating managers and employees and the ability of its key personnel to manage Parkland's growth and consolidate and integrate its operations. There can be no assurance that Parkland will be successful in attracting and retaining such managers, employees and other personnel.

Alternate Fuels & Hybrid Vehicles

The auto industry continues to develop technologies to improve the efficiency of internal combustion engines and produce economically viable alternate fuels.

Although hybrid vehicles, and to a lesser extent electric vehicles, have entered the market, the non-urban nature of Parkland's market niche is expected to provide some insulation from the impact of these vehicles on fuel sales volumes. Non-urban markets are expected to be late adopters of these technologies due to the realities of driving outside of Canada's large urban centres.

The federal government and certain provinces have developed or are developing legislation requiring the inclusion of ethanol in gasoline and use of biodiesel which may negatively affect the overall demand for fossil fuel products. Parkland has already adopted biodiesel and ethanol blended gasoline in certain markets to align with these emerging policies.

To date no economically viable alternative to the transportation fuels Parkland markets is widely available. Should such an alternative become widely available, it may negatively affect the demand for Parkland's products.

Climate Change

Parkland does not operate any industrial sites and is not a major emitter of greenhouse gases. The federal and provincial governments in Canada are formulating laws and regulations designed to limit greenhouse gas emissions which would be expected to result in a decline of consumption of petroleum products over time.

Technology

At the operational level, Parkland relies on electronic systems for recording of sales and accumulation of financial data. A major breakdown of computer systems would disrupt the flow of information and could cause a loss of records. This is mitigated by redundancies, emergency response plans and back-up procedures. However, there can be no assurances that such mitigation efforts will be successful in any circumstance and the conversion and upgrade of electronic systems could result in lost or corrupt data which could impact the accuracy of financial reporting and management information.

In March 2010, Parkland commenced the implementation of an upgrade to its ERP system. The ERP implementation included the conversion and integration of existing legacy applications and the reengineering of many processes and controls. The March 2010 implementation caused difficulties in processing transactions, issuing invoices and collecting accounts receivable on a timely basis and resulted in increased working capital requirements. While Parkland has made efforts to address the implementation challenges experienced, there is risk that components of the ERP system and related applications will not perform as planned, data could be lost and business could be disrupted. In addition, because of invoicing complications many customer accounts have paid beyond normal terms, certain customers' accounts may not be collected and certain customers may choose to discontinue dealing with Parkland. If the implementation challenges experienced are not fully overcome or additional difficulties or problems are encountered during the continuing implementation of the ERP system or the integration of other businesses with the ERP system, Parkland could experience disruptions to its business and operations that could have a material adverse effect on its business and could impair its ability to report its operating results on a timely and accurate basis.

Insurance

Although Parkland has a comprehensive insurance program in effect, there can be no assurance that potential liabilities will not exceed the applicable coverage limits under Parkland's insurance policies. Consistent with industry practice, not all risk factors are covered by insurance and no assurance can be given that insurance will be consistently available or will be consistently available on an economically feasible basis. The Corporation maintains insurance coverage for most environmental risk areas, excluding underground tanks at service stations. Although not insured, these risks are managed through ongoing monitoring, inventory reconciliations and tank replacement programs.

Interest Rates

Most of Parkland's loans have floating rates and may be negatively impacted by increases in interest rates, the effect of such increases would be to reduce the amount of cash available for dividends. In addition, the market price of the shares at any given time may be affected by the level of interest rates prevailing at such time. The $97.8 million principal amount of series 1 convertible unsecured subordinated debentures bear interest at a 5-year annual fixed rate of 6.5% payable semi-annually in arrears on November 30 and May 31 in each year commencing May 31, 2010. The $45.0 million principal amount of series 2 convertible unsecured subordinated debentures bear interest at a 5-year annual fixed rate of 5.75% payable semi-annually in arrears on June 30 and December 31 in each year commencing June 30, 2011. The fixed rates of the series 1 and series 2 convertible secured subordinated debentures reduce Parkland's exposure to variable rates.

Government Legislation

Transportation fuel sales are taxed by the federal (GST and excise tax), provincial and, in some cases, municipal governments. Increases in taxes or changes in tax legislation are possible and could negatively affect profitability of the Corporation.

Refinery Operating Permit

The Bowden refinery has operated as a toll-based petrochemical processing site and fuel storage site. Parkland obtained a new permit in 2007 to allow for continued use or for alternative uses of the facility. The new permit expires in 2017.

If operations at the refinery are not continued, Parkland may incur significant remediation costs. An estimate of the potential future remediation cost has been accrued and provided for in Parkland's financial statements.

Regional Economic Conditions

Parkland's revenues may be negatively influenced by changes in regional or local economic variables and consumer confidence. External factors that affect economic variables and consumer confidence and over which Parkland exercises no influence include unemployment rates, levels of personal disposable income, and regional or economic conditions. Changes in economic conditions could adversely affect consumer spending patterns, travel and tourism in certain of Parkland's market areas. Some of Parkland's sites are located in markets which are more severely affected by weak economic conditions. With the acquisition of Bluewave Energy, Parkland added the risk of economic exposure to Atlantic Canada while at the same time Parkland diversified overall Canadian exposure that was previously heavily weighted to western Canada variables.

Cash Dividends Are Not Guaranteed and Will Fluctuate with Performance of the Business

Although Parkland intends to distribute a significant portion of the income earned by the Corporation, less expenses, capital additions, income taxes and amounts, if any, paid by the Corporation in connection with the redemption of shares, there can be no assurance regarding the amounts of income to be generated by the business. Parkland's Board of Directors will, at their discretion, determine the amount of any future dividends payable. The actual dividend will depend upon numerous factors, including profitability, fluctuations in working capital, the sustainability of margins and capital expenditure programs.

Capital Investment

The timing and amount of expenditures for business acquisitions, additions of property, plant and equipment and intangibles will directly affect the amount of cash available for distribution to shareholders. Dividends may be substantially reduced at times when significant capital or other expenditures are made.

Restrictions on Potential Growth

The payout by Parkland of substantially all of its operating cash flow will make additional capital and operating expenditures dependent on increased cash flow or additional financing in the future. Lack of those funds could limit the future growth of Parkland and its cash flow.

Legal Proceedings

The Corporation is subject to various legal proceedings and claims that arise in the ordinary course of business operations. The Corporation believes that the amount of liability, if any, from these actions would not have a material effect on the Corporation's financial position or results of operations.

Supplementary Information

Parkland seeks to provide relevant information to allow investors to evaluate its operations. The nature of this information is limited by competitive sensitivities, confidentiality terms in written agreements and Parkland's policy not to provide guidance regarding future earnings. Parkland has developed a template of supplementary information that is published with each quarterly financial report. For persons seeking information regarding fuel margins, please refer to outside sources including: websites of western Canadian refiners, Bloomberg's Oil Buyers Guide, Nymex contracts for gasoline and crude oil as well as Government of Canada and Natural Resources Canada reports. Data from these sources will not be sufficient to calculate Parkland's fuel margin given that it does not correlate directly with the Corporation's market region and supply contracts, but should indicate margin trends.

Controls Environment

Management is responsible for the preparation and fair presentation of the consolidated financial statements. Parkland has established disclosure controls and procedures, internal controls over financial reporting, and corporate-wide policies to provide that Parkland's consolidated financial condition, financial results and cash flows are presented fairly. Parkland's disclosure controls and procedures are designed to ensure timely disclosure and communication of all material information required by regulators.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, these systems provide reasonable, but not absolute assurance, that financial information is accurate and complete. Due to the inherent limitations in all control systems, internal control over financial reporting can provide only reasonable assurance with respect to financial statement preparation and may not prevent or detect all misstatements.

Parkland, under the supervision and participation of management, including the Chief Executive Officer and Chief Financial Officer, has designed disclosure controls and procedures and internal controls over financial reporting to provide reasonable assurance that information required is recorded, processed, summarized and reported within the time periods specified by the applicable Canadian securities regulators and include controls and procedures designed to provide reasonable assurances that information required to be disclosed in reports filed or submitted under applicable Canadian securities regulations is accumulated and communicated to Parkland's management, including Parkland's Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In addition, these controls have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles.

Parkland has a Disclosure Committee, consisting of four senior management members, that approves all items for public disclosure and also considers whether all items required to be disclosed are disclosed.

SIGNIFICANT CHANGE IN INTERNAL CONTROLS

Parkland has undergone extensive business process reengineering and an upgrade of its ERP software. The upgraded system was implemented on March 1, 2010 with the following objectives:

- Introduce best business practices, consistency and uniformity to its core business operations, controls and accounting processes;
- Integrate all systems and processes of the business, including that of the acquired companies, into its ERP software (initially excluding Columbia Fuels and Bluewave); and
- Complete the integration of the acquired companies by merging systems, processes, controls and operations.

Due to the size and complexity of the ERP implementation, the above stated objectives are still in progress. Management has taken the prudent approach of continuing to perform additional account reconciliations, specific transaction price and volume testing procedures, senior management review of adjustments and operating results including comparisons to budget and prior period(s), and other analytical procedures that were designed in 2010 and continued to operate effectively throughout 2010 and 2011 and which mitigated against the risks from the introduction of the ERP system into the organization's control structure. Such additional procedures have been designed by, or under the supervision of, Parkland's Chief Executive Officer and Chief Financial Officer. While management is of the view that the procedures implemented to compensate for the control exceptions encountered during the implementation of the ERP system and its ongoing efforts are reasonable and adequate, the design and implementation of any system of control is also based upon certain assumptions about the likelihood of future events, and there can be no assurance that the design or the implementation of any system of control (including compensating controls) will succeed in achieving its stated goals under all potential conditions.

Changes in Accounting Policies

Parkland's significant accounting policies are described in Note 3 in the December 31, 2011 audited consolidated financial statements.

Adoption of IFRS

Effective January 1, 2011, Parkland began reporting under IFRS. The accounting policies referenced above have been applied in preparing the financial results for the year ended December 31, 2011 and the financial results for the year ended December 31, 2010, and Parkland's opening balance sheet as at January 1, 2010. A detailed reconciliation of amounts reported under Previous GAAP to those presented in this MD&A is provided in Note 5 to the audited consolidated financial statements.

The following table provides a summary reconciliation of consolidated net earnings reported under Previous GAAP to that reported under IFRS:

(in thousands of Canadian dollars except per Share/Unit amounts)	Year ended December 31, 2010
Net earnings as reported under Previous GAAP	30,194
Adjustments to net earnings:	
Marketing, general and administrative	(2,677)
Depreciation and amortization	(324)
Finance costs	281
Other	(125)
(Provision) recovery for deferred income taxes	(521)
Net earnings, as reported under IFRS	26,828

The transition to IFRS also required that Parkland adopt accounting policies that are different to those previously reported. The accounting policies as adopted by Parkland have been explained further in Note 3 of the consolidated financial statements.

As a result of the adoption of IFRS, Parkland made use of certain exemptions allowed under IFRS 1 and made adjustments and reclassifications to its balances. A comprehensive analysis and listing of transition options and its implications have been explained in Note 5 of the consolidated financial statements.

CORRECTION OF PRIOR PERIOD ERRORS

In the interim consolidated financial statements for the three months ended March 31, 2011 and the three and six months ended June 30, 2011, Parkland incorrectly recorded its deferred tax asset, deferred tax liability and deferred income tax expense due to the use of an incorrect effective tax rate used to value deferred tax timing differences. Commencing in the consolidated financial statements for the three and nine months ended September 30, 2011, this error has been corrected and restated retroactively.

In the interim consolidated financial statements for the three months ended March 31, 2011 and the three and six months ended June 30, 2011, Parkland incorrectly recorded dividends as a reduction to shareholders' capital instead of a reduction to retained earnings (deficit). Commencing in the consolidated financial statements for the three and nine months ended September 30, 2011, this error has been corrected and restated retroactively.

Recently Announced Accounting Pronouncements

Parkland is in the process of evaluating the impact of the following new requirements and has not decided whether to early adopt the following standards.

(A) IFRS 9 – FINANCIAL INSTRUMENTS

In November 2009, as part of the International Accounting Standards Board's (IASB) project to replace International Accounting Standard (IAS) 39 *Financial Instruments: Recognition and Measurement*, the IASB issued the first phase of IFRS 9 *Financial Instruments*, that introduces new requirements for the classification and measurement of financial assets. The standard was revised in October 2010 to include requirements regarding classification and measurement of financial liabilities and is applicable for annual periods starting on or after January 1, 2013. In December 2011, the effective date of IFRS 9 was deferred to years beginning on or after January 1, 2015. The full impact of the changes in accounting for financial instruments will not be known until the IASB's project has been completed.

(B) IFRS 13 – FAIR VALUE MEASUREMENT

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

(C) IAS 1 – FINANCIAL STATEMENT PRESENTATION

On June 16, 2011, the IASB issued amendments to IAS 1 Financial Statement Presentation. These amendments improve the presentation of components of other comprehensive income. The new requirements are effective for annual periods beginning on or after July 1, 2012.

Related Party Transactions

Parkland receives legal services from Bennett Jones LLP where a director of the Corporation is a partner. The fees paid during the year of 2011 amounted to $1.8 million (2010 – $1.8 million). These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The exchange amounts represent normal commercial terms.

Contractual Obligations

Parkland has contracted obligations under various debt agreements as well as under operating and capital leases for land, building and equipment. Minimum lease and principal payments ($000's) under the existing terms are as follows:

(in thousands of Canadian dollars) As at December 31, 2011	Mortgages, bank indebtedness, bank loans, notes payable, and convertible debentures	Other Long Term Liabilities	Operating Leases	Capital Leases
2012	257	2,236	6,002	2,762
2013	169	313	6,530	776
2014	324,280	-	5,121	86
2015	45,035	-	4,113	60
2016	-	-	3,499	60
Thereafter	-	-	10,916	679
	369,741	2,549	36,181	4,423

The Corporation also has purchase commitments under its fuel supply contracts that require the purchase of approximately 2.4 billion litres of product over the next year

The series 1 convertible unsecured subordinated debentures are convertible into common shares at the option of the holder at any time up to the maturity on November 30, 2014 at a conversion price of $14.60 per share. The series 2 convertible unsecured subordinated debentures are convertible into shares at the option of the holder at any time up to the maturity on December 31, 2015 at a conversion price of $18.00 per share.

Shares Outstanding

As at March 6, 2012, Parkland had approximately 65.1 million shares outstanding and 0.7 million share options outstanding consisting of 0.1 million share options that are currently exercisable into shares.

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

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

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

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

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

/s/
Robert B. Espey
President and CEO
Red Deer, Alberta
March 6, 2012

/s/
Michael R. Lambert
Senior Vice President and CFO
Red Deer, Alberta
March 6, 2012

March 6, 2012

TO THE SHAREHOLDERS OF PARKLAND FUEL CORPORATION

We have audited the accompanying consolidated financial statements of Parkland Fuel Corporation and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2011 and December 31, 2010 and January 1, 2010 and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2011 and December 31, 2010, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Parkland Fuel Corporation and its subsidiaries as at December 31, 2011 and December 31, 2010 and January 1, 2010 and their financial performance and their cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

/s/
PricewaterhouseCoopers LLP
Chartered Accountants
Calgary, Alberta

Consolidated Balance Sheets

(in 000's of Canadian Dollars)	As at December 31, 2011	As at December 31, 2010 (Note 5)	As at January 1, 2010 (Note 5)
Assets			
Current Assets			
Cash and cash equivalents	24,905	18,523	17,612
Restricted cash (Note 7)	3,000	-	-
Accounts receivable (Note 8)	329,758	285,270	114,763
Income tax receivable (Note 15)	-	788	771
Inventories (Note 9)	84,257	61,722	51,757
Risk management (Note 10)	347	-	-
Prepaid expenses and other	8,629	11,703	8,146
	450,896	378,006	193,049
Property, plant and equipment (Note 11)	246,961	242,597	217,108
Intangible assets (Note 12)	119,378	118,352	35,485
Goodwill (Note 13)	89,883	90,369	28,269
Loan receivables (Note 14)	6,307	3,585	2,927
Deferred tax asset (Note 15)	10,024	8,253	-
	923,449	841,162	476,838
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	196,360	169,918	107,473
Dividend/distributions declared and payable	5,469	5,622	5,205
Income tax payable (Note 15)	17,026	-	-
Deferred revenue	4,533	5,215	5,520
Class B & C limited partnership units (Note 21b)	-	-	56,321
Long-term debt - current portion (Note 16)	2,779	80,392	13,939
Other long-term liabilities - current portion (Note 17)	2,236	1,223	-
	228,403	262,370	188,458
Long-term debt (Note 16)	228,241	240,649	41,030
Other long-term liabilities (Note 17)	313	2,339	-
Convertible debentures (Note 18)	135,544	133,360	93,515
Asset retirement obligations (Note 19)	25,478	12,338	11,219
Refinery remediation accrual (Note 20)	11,242	6,827	6,527
Deferred tax liability (Note 15)	8,034	3,475	13,752
	637,255	661,358	354,501
Shareholders' Equity			
Shareholders' capital (Note 21a)	300,981	179,804	122,337
Contributed surplus	1,814	-	-
Deficit	(16,601)	-	-
	286,194	179,804	122,337
	923,449	841,162	476,838

Commitments (Note 25)
Contingencies (Note 32)

Signed on behalf of the Board of Directors:

/s/
James Pantelidis
Chairman of the Board

/s/
Ron Rogers
Chairman of the Audit Committee

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

Consolidated Statements of Comprehensive Income

	Years ended December 31,	
(in 000's of Canadian Dollars and shares except per share amounts)	2011	2010
Sales and operating revenue	3,980,477	2,891,173
Cost of sales, excluding depreciation	3,572,031	2,575,009
Operating costs	172,668	138,846
Marketing, general and administrative	86,857	78,219
Depreciation and amortization	68,444	62,917
Customer finance income	(2,839)	(1,521)
Finance costs (Note 22)	36,712	27,367
Gain on disposal of property, plant and equipment	(15,938)	(3,119)
Unrealized risk management loss (Note 10)	928	-
Earnings before income taxes	61,614	13,455
Income tax expense (recovery) (Note 15)		
Current	20,056	-
Deferred	(2,357)	(13,373)
Net earnings	43,915	26,828
Total comprehensive income	43,915	26,828
Net earnings per share (Note 6)		
– Basic	0.74	0.52
– Diluted	0.73	0.44
Shares outstanding	64,354	53,164

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

Consolidated Statement of Changes in Equity

					Years ended December 31,
(in 000's of Canadian Dollars)	Shareholders'/ unitholders' capital	Contributed Surplus	Deficit	Total	Number of shares/units
2011					
Balance, beginning of year	179,804	–	–	179,804	53,164
Net earnings and comprehensive income for the year	–	–	43,915	43,915	–
Dividends	–	–	(60,516)	(60,516)	–
Share incentive compensation	–	1,814	–	1,814	–
Issued under dividend re-investment plan, net of issue costs	37,042	–	–	37,042	3,443
Issued for cash, net of issue costs	82,597	–	–	82,597	7,130
Issued under share option plan	1,513	–	–	1,513	227
Issued on vesting of restricted shares	–	–	–	–	390
Issued upon conversion of debentures	25	–	–	25	1
Balance, end of year	300,981	1,814	(16,601)	286,194	64,354
2010					
Balance, beginning of year	122,337	–	–	122,337	42,308
Net earnings and comprehensive income for the year	26,828	–	–	26,828	–
Issued on capital acquisition, net of issue costs	11,868	–	–	11,868	1,036
Allocation of retained earnings to Class B and C LP units	(2,544)	–	–	(2,544)	–
Dividends/distributions	(59,819)	–	–	(59,819)	–
Issued under dividend/distribution re-investment plan, net of issue costs	2,897	–	–	2,897	256
Issued under share/unit option plan	1,260	–	–	1,260	189
Issued on vesting of restricted shares/units	–	–	–	–	249
Share/unit incentive compensation	2,798	–	–	2,798	–
Exchanged for fund shares/units and limited partnership shares/units	60,978	–	–	60,978	4,844
Class B and C LP units included in equity upon the Conversion	13,201	–	–	13,201	4,282
Units cancelled under the Conversion	(179,804)	–	–	(179,804)	(53,164)
Common shares issued pursuant to the Conversion	179,804	–	–	179,804	53,164
Balance, end of year	179,804	–	–	179,804	53,164

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

Consolidated Statements of Cash Flows

	Years ended December 31,	
(in 000's of Canadian Dollars)	2011	2010
Cash Provided by Operations		
Net earnings	43,915	26,828
Adjustments for:		
Depreciation and amortization	68,444	62,917
Gain on disposal of property, plant and equipment	(15,938)	(3,119)
Share/unit incentive compensation	1,814	2,798
Refinery remediation accrual	4,414	300
Accretion expense on asset retirement obligation	6,567	(581)
Revaluation of embedded derivative	-	(5,266)
Accretion on convertible debentures (Note 18)	2,209	2,110
Deferred taxes	(2,357)	(13,373)
Cash expenditures on asset retirement obligation	(1,780)	(297)
Net changes in non-cash working capital (Note 26)	(17,679)	(76,387)
Cash from (used for) operating activities	89,609	(4,070)
Financing Activities		
Long-term debt repayments	(568,588)	(94,649)
Proceeds from long-term debt	470,318	353,392
Dividends/distributions to shareholders/unitholders, net of dividend re-investment plan	(23,474)	(56,922)
Shares/fund units issued for cash	84,110	1,260
Convertible debenture equity (Note 18)	-	2,676
Issue of Series 2 convertible debenture, net of issue costs (Note 18)	-	40,325
Cash from (used for) financing activities	(37,634)	246,082
Investing Activities		
Acquisition of Cango Incorporated, net of cash acquired (Note 24a)	(14,787)	-
Acquisition of Island Petroleum, net of cash acquired (Note 24b)	(12,173)	-
Acquisition of Bluewave Energy, net of cash acquired (Note 24c)	-	(204,386)
Acquisition of Shell Distribution Agreement, net of cash acquired (Note 24d)	-	(2,000)
Increase in loan receivables	(2,180)	(210)
Additions of property, plant and equipment	(45,719)	(34,874)
Additions of intangibles	(50)	(5,998)
Proceeds on sale of property, plant and equipment and intangibles	32,316	6,367
Cash used for investing activities	(42,593)	(241,101)
Increase in cash	9,382	911
Cash, beginning of year	18,523	17,612
Cash, end of year	27,905	18,523
Represented by:		
Cash and cash equivalents	24,905	18,523
Restricted cash	3,000	-
Total cash	27,905	18,523
Supplementary Cash Flow Information		
Interest paid	24,550	30,789
Interest received	2,839	1,521
Income taxes paid	1,820	-

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

Notes to the Consolidated Financial Statements

For the years ended December 31, 2011 and 2010
In 000's of Canadian Dollars and shares/units (except per share/unit amount)

1. REPORTING ENTITY AND DESCRIPTION OF THE BUSINESS

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

2. BASIS OF PREPARATION AND ADOPTION OF IFRS

(a) Statement of Compliance

Parkland prepares its financial statements in accordance with Canadian generally accepted accounting principles ("GAAP") as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Corporation has commenced reporting on this basis in these consolidated financial statements. In these financial statements, the term "Previous GAAP" refers to Canadian GAAP before the adoption of IFRS.

These consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of financial statements. Subject to certain transition elections disclosed in Note 5, the Corporation has consistently applied the same accounting policies in its opening IFRS statement of financial position at January 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 5 discloses the impact of the transition to IFRS on the Corporation's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Corporation's consolidated financial statements for the year ended December 31, 2010 prepared under previous GAAP.

The policies applied in these annual consolidated financial statements are based on IFRS issued and outstanding as of December 31, 2011, the date the Board of Directors approved the statements on March 6, 2012. Any subsequent changes to IFRS that are given effect in the Corporation's annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of these consolidated financial statements, including the transition adjustments recognized on the changeover to IFRS.

(b) Conversion to a Corporation

At the annual and special meeting of the Parkland Income Fund (the "Fund") on May 3, 2010, the unitholders approved the conversion of the Fund to a corporation (the "Conversion") by way of a plan of arrangement under the Business Corporations Act (Alberta). The Court of Queen's Bench of Alberta issued its final order approving the Conversion on May 4, 2010.

Pursuant to the Conversion, on December 31, 2010:

i. All outstanding units of the Fund and all outstanding Class B units and Class C units of Parkland Holdings Limited Partnership were exchanged for common shares in the capital of Parkland Fuel Corporation on a one-for-one basis. Accordingly, the terms "shares" and "units" are used interchangeably throughout these financial statements.

ii. All of the covenants and obligations of the Fund under the 6.5% series 1 convertible unsecured subordinated debentures and the 5.75% series 2 convertible unsecured subordinated debentures (together the "Debentures") of the Fund were assumed by the Corporation.

iii. All outstanding incentive rights and obligations under the Fund's unit option plan and restricted unit plan were assumed by the Corporation on the same terms and conditions.

Prior to the Conversion on December 31, 2010, the consolidated financial statements included the accounts of the Fund and its subsidiaries, partnerships and trusts.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Measurement

The consolidated financial statements are prepared on a historical cost basis except as detailed in the Corporation's accounting policies. The accounting policies described below have been applied consistently to all periods presented in these financial statements except for the opening IFRS consolidated balance sheets, which has utilized certain exemptions available under IFRS 1.

(b) Principles of Consolidation

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

(c) Functional and Presentation Currency

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

(d) Foreign Currency Translation

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

(e) Financial Instruments

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

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

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

Financial assets and liabilities at fair value through profit or loss: A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also included in this category unless they are designated as hedges. The conversion feature of the embedded derivative of the Debentures and risk management assets (Note 10) have been classified as a financial asset and liability at fair value through profit or loss.

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

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

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

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

Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Parkland has designated accounts receivable and loan receivables as loans and receivables and are included as current assets due to their short term nature.

Loans and receivables are initially recognized at the amount expected to be received less a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

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

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

(f) Derivative Financial Instruments

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value

Any changes to the fair value during the year are recorded in the consolidated statements of comprehensive income and loss within unrealized risk management (gain) / loss.

(g) Impairment of financial assets

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

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

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

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

(h) Cash and Cash Equivalents

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

(i) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out ("FIFO") method. Net realizable value is the estimated selling price less applicable selling expenses. Parkland's inventory consists primarily of fuel, agriculture inputs and lubricants which tend to turnover quickly. Any provision for obsolescence is reduced from the value of inventory. Vendor rebates are received for high volume inventory purchases and are recorded initially as a reduction to inventory with a subsequent reduction in cost of sales when the product is sold.

(j) Property, Plant and Equipment

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

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

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

(k) Depreciation

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

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

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

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

(l) Intangible Assets and Goodwill

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

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

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

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

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

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

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

(m) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statements of comprehensive income on a straight-line basis over the period of the lease.

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

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

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

(n) Deferred Revenue

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

(o) Income Taxes

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

(p) Asset Retirement Obligations and Refinery Remediation Accrual

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

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

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

(q) Revenue

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

(r) Cost of sales

Cost of sales includes costs incurred to transport inventory.

(s) Grants of Options and Restricted Units

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

(t) Borrowing Costs

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

(u) Customer Finance Income and Finance Costs

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

Finance costs include interest expense on borrowings, unwinding of the discount on provisions, distributions on Class B and C limited partnership units classified as liabilities, revaluation of the embedded derivative on convertible debentures, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognized on financial assets. All borrowing costs are recognized in the consolidated statements of comprehensive income using the effective interest method, except for those amounts capitalized as part of the cost of qualifying property, plant and equipment.

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

(v) Dividends

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

(w) Earnings Per Share/Unit

1) Basic

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

2) Diluted

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

(x) Use of Estimates

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

Estimates are used when appropriate for accounting purposes. These estimates are subject to measurement uncertainty and the effect on the financial statements of future periods could be material.

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

The following discussion outlines the Corporation's critical accounting estimates adopted under IFRS.

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

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

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

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

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

Compensation expense for options under the Share Option Plan and Restricted Share Unit Plan are estimated based on various assumptions at grant date, such as volatility and expected life using the Black-Scholes methodology to produce an estimate of the fair value of such compensation and are re-measured at the end of each reporting period.

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

(y) Segment reporting

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

4. RECENTLY ANNOUNCED ACCOUNTING PRONOUNCEMENTS

Parkland is in the process of evaluating the impact of the following new requirements and has not decided whether to early adopt the following standards.

(a) IFRS 9 – Financial Instruments

In November 2009, as part of the International Accounting Standards Board's (IASB) project to replace International Accounting Standard (IAS) 39 *Financial Instruments: Recognition and Measurement*, the IASB issued the first phase of IFRS 9 *Financial Instruments*, that introduces new requirements for the classification and measurement of financial assets. The standard was revised in October 2010 to include requirements regarding classification and measurement of financial liabilities and is applicable for annual periods starting on or after January 1, 2013. In December 2011, the effective date of IFRS 9 was deferred to years beginning on or after January 1, 2015. The full impact of the changes in accounting for financial instruments will not be known until the IASB's project has been completed.

(b) IFRS 13 – Fair Value Measurement

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

(c) IAS 1 – Financial Statement Presentation

On June 16, 2011 the IASB issued amendments to IAS 1 Financial Statement Presentation. These amendments improve the presentation of components of other comprehensive income. The new requirements are effective for annual periods beginning on or after July 1, 2012.

5. FIRST-TIME ADOPTION OF IFRS

The Corporation adopted IFRS on January 1, 2011, with a date of transition effective January 1, 2010. Prior to the adoption of IFRS, the Corporation prepared its annual consolidated financial statements in accordance with Previous GAAP. The annual consolidated financial statements as at and for the year ended December 31, 2011, will be the first annual financial statements issued by the Corporation that comply with IFRS. The Corporation's transition date is January 1, 2010 ("the transition date") and the Corporation prepared its opening IFRS consolidated balance sheets at that date. These consolidated financial statements have been prepared in accordance with the accounting policies described in Note 3 and in accordance with existing IFRS with an effective date of December 31, 2011 or earlier. Reconciliations from Previous GAAP to IFRS for comparative periods are provided on the following pages.

Reconciliation of Equity at December 31, 2010

(in 000's of Canadian Dollars)	Previous GAAP	IFRS Adjustments		IFRS
Assets				
Current Assets				
Cash and cash equivalents	18,523	-		18,523
Accounts receivable	284,470	800	(6)	285,270
Income tax receivable	788	-		788
Inventories	61,722	-		61,722
Prepaid expenses and other	11,703	-		11,703
	377,206	800		378,006
Property, plant and equipment	235,970	6,627	(5)	242,597
Intangible assets	118,352	-		118,352
Goodwill	93,925	(2,508)	(2)	90,369
		(248)	(1)	
		(800)	(6)	
Loan receivables	3,585	-		3,585
Deferred tax asset	10,651	(2,398)	(8)	8,253
	839,689	1,473		841,162
Liabilities and Shareholders' / Unitholders' Equity				
Current Liabilities				
Accounts payable and accrued liabilities	168,778	(540)	(3)	169,918
		1,680	(4)	
Distributions declared and payable	5,622	-		5,622
Deferred revenue	5,215	-		5,215
Long-term debt – current portion	80,392	-		80,392
Other long-term liabilities – current portion	1,223	-		1,223
	261,230	1,140		262,370
Long-term debt	240,649	-		240,649
Other long-term liabilities	2,339			2,339
Convertible debentures	130,262	3,098	(7)	133,360
Asset retirement obligations	6,386	5,952	(5)	12,338
Refinery remediation accrual	6,827	-		6,827
Deferred tax liability	-	3,475	(8)	3,475
Shareholders' / unitholders' equity	191,996	(248)	(1)	179,804
		(2,508)	(2)	
		540	(3)	
		(1,680)	(4)	
		675	(5)	
		(3,098)	(7)	
		(5,873)	(8)	
	839,689	1,473		841,162

Reconciliation of Equity at January 1, 2010

(in 000's of Canadian Dollars)	Previous GAAP	IFRS Adjustments		IFRS
Assets				
Current Assets				
Cash and cash equivalents	17,612	-		17,612
Accounts receivable	114,763	-		114,763
Income tax receivable	771	-		771
Inventories	51,757	-		51,757
Prepaid expenses and other	8,146	-		8,146
	193,049	-		193,049
Property, plant and equipment	210,985	6,123	(5)	217,108
Intangible assets	35,485	-		35,485
Goodwill	28,269	-		28,269
Loan receivables	2,927	-		2,927
Deferred tax asset	3,620	(3,620)	(8)	-
	474,335	2,503		476,838
Liabilities and Shareholders' / Unitholders' Equity				
Current Liabilities				
Accounts payable and accrued liabilities	106,047	(129)	(3)	107,473
		1,555	(4)	
Distributions declared and payable	5,205	-		5,205
Deferred revenue	5,520	-		5,520
Class B & C limited partnership units	-	56,321	(1)	56,321
Long-term debt - current portion	13,939	-		13,939
	130,711	57,747		188,458
Long-term debt	41,030	-		41,030
Convertible debentures	87,827	5,688	(7)	93,515
Asset retirement obligations	5,462	5,757	(5)	11,219
Refinery remediation accrual	6,527	-		6,527
Deferred tax liability	12,020	1,732	(8)	13,752
Shareholders' / unitholders' equity	190,758	(56,321)	(1)	122,337
		129	(3)	
		(1,555)	(4)	
		366	(5)	
		(5,688)	(7)	
		(5,352)	(8)	
	474,335	2,503		476,838

Reconciliation of Comprehensive Income and Loss
For the Year Ended December 31, 2010

(in 000's of Canadian Dollars except per share/unit amounts)	Previous GAAP	IFRS Adjustments		IFRS
Sales and operating revenue	2,911,899	(20,726)	(4)	2,891,173
Cost of sales, excluding depreciation	2,575,009	–		2,575,009
	336,890	(20,726)		316,164
Expenses				
Operating costs	159,447	(20,601)	(4)	138,846
Marketing, general and administrative	75,542	3,088	(2)	78,219
		(411)	(3)	
Depreciation and amortization	62,593	324	(5)	62,917
	39,308	(3,126)		36,182
Customer finance income	(1,521)	–		(1,521)
Finance costs	27,648	5,618	(1)	27,367
		(633)	(5)	
		(5,266)	(7)	
	26,127	(281)		25,846
Gain on disposal of property, plant and equipment	(3,119)	–		(3,119)
Earnings (loss) before income taxes	16,300	(2,845)		13,455
Income tax (recovery) expense				
Deferred	(13,894)	521	(8)	(13,373)
	(13,894)	521		(13,373)
Net earnings (loss)	30,194	(3,366)		26,828
Total comprehensive income (loss)	30,194	(3,366)		26,828

Explanation of IFRS adjustments made

(1) Under Previous GAAP, prior to the Conversion, the Class B and C Limited Partnership ("LP") units were classified as unitholders' capital. Under IFRS the redemption feature provides the holder of the LP unit the ability to 'put' the option back to the Trust at a specified value and was considered a puttable instrument, therefore, the Class B and C LP units are classified as a liability as of date of transition at cost in accordance with the requirements of IAS 32 para 16(c). Distributions to holders of Class B and C LP units are classified as interest expense after the transition to IFRS. Upon Conversion to a Corporation on December 31, 2010 the Class B and C LP units were converted on a one-for-one basis into Fund units.

(2) Parkland has applied IFRS 3 to all business combinations that have occurred since January 1, 2010. Accordingly, the purchase accounting has been revised to expense transaction costs. Under Previous GAAP the consideration paid in units was valued using the 10 day weighted average closing price. Under IFRS the units given as consideration are valued at the price on the date of closing the transaction. From January 1, 2010 Parkland has applied IFRS 3 *Business Combinations* (2008) in accounting for business combinations. The change in accounting policy has been applied prospectively. As part of the transition to IFRS, Parkland elected to restate only those business

combinations that occurred on or after January 1, 2010. In respect of acquisitions prior to January 1, 2010, goodwill represents the amount recognized under Previous GAAP.

(3) IFRS requires an estimate of future forfeitures of shares/units arising at the date of grant of shares/units under the Restricted Share Unit Plan as described in Note 21(d). Under Previous GAAP no estimate of future forfeitures was required.

(4) As a result of the adoption of IFRS, the presentation of Parkland's customer and dealer incentive programs have been reclassified to their appropriate presentation in the consolidated financial statements.

(5) Under Previous GAAP, increases in estimated cash flows for asset retirement obligations were discounted using the credit adjusted risk-free rate. Under IFRS, estimated cash flows are discounted using the current pre-tax discount rate for risks specific to the obligation that exist at the consolidated balance sheets' date. In accordance with IFRS 1, the Corporation elected to re-measure its asset retirement obligations and refinery remediation accrual at the Transition Date and has estimated the related asset by discounting the liability to the date in which the liability arose and recalculated the accumulated depreciation and amortization under IFRS. Asset retirement obligations and the refinery remediation accrual are recognized for legal as well as constructive obligations under IFRS. Asset retirement obligations and the refinery remediation accrual are measured based on the estimated cost of abandonment discounted to their net present value.

(6) As part of the acquisition of the fuel distribution business of Bluewave Energy Limited Partnership, Parkland received $800 in 2011 as a final settlement of the purchase price consideration owed to the seller. Under IFRS, Parkland is required to record an accounts receivable at December 31, 2010 as the recovery was more likely than not considering the circumstances at December 31, 2010.

(7) Under Previous GAAP, before the Conversion, a portion of the proceeds of the Debentures was allocated to unitholders' capital, representing the value of the conversion feature. Under IFRS, an equity portion is not determined; rather the embedded derivative arising from the equity conversion feature is valued at each reporting date with the change in value at each reporting period included in the consolidated statements of comprehensive income in finance costs as "revaluation of embedded derivative". Under IFRS the binomial method was used to value the conversion feature for the Debentures. On Conversion the Series 1 Debentures had a conversion feature value of $0 and the previously recognized conversion feature of $5,266 was reversed. Upon issuance on December 21, 2010 and at Conversion, the Series 2 Debentures had a conversion value of $0. Post Conversion there is no requirement to further revalue the conversion feature. The debt balance of the Debentures in the consolidated balance sheets, net of issue costs and the value of the conversion feature at Conversion, accretes over the remaining term of the Debentures. Using the effective interest rate method, the accretion of the debt discount and the interest paid to debenture holders are expensed each period as part of the item line "interest and accretion on convertible debentures" in the Consolidated Statements of Comprehensive Income.

(8) The Corporation recognized deferred income taxes primarily in respect of the above changes.

Prior to the Conversion on December 31, 2010, the Corporation itself was not subject to income tax provided it distributed all of its taxable income to unitholders. For taxation purposes the Corporation was considered a specified investment flow-through ("SIFT") entity and was to become subject to tax on its distributions commencing January 1, 2011 at the corporate tax rate. Temporary timing differences between tax basis and carrying values under Previous GAAP were tax effected at the tax rate expected when the temporary timing differences were expected to reverse. Under IFRS Parkland is required to tax effect the temporary timing differences at the undistributed SIFT rate of 39% prior to the Conversion on December 31, 2010. Following the Conversion, the Corporation's temporary timing differences are taxed at the corporate rate in effect.

On January 1, 2010, the date of transition, the net impact of the transition to IFRS was a decrease in retained earnings of $5,352, an increase to deferred income tax liability of $1,732, and a decrease to deferred income tax asset of $3,620.

At December 31, 2010, the impact was a decrease in retained earnings of $5,873, increase to deferred tax liability of $3,475, and a decrease in deferred tax asset of $2,398.

Mandatory exceptions to retrospective application

In preparing these consolidated financial statements in accordance with IFRS 1, the Corporation has applied the mandatory exception applicable for estimates. IFRS estimates at January 1, 2010 are consistent with the estimates as at the same date made in conformity with Previous GAAP.

The other compulsory exceptions of IFRS 1 that have not been applied as these are not relevant to the Corporation are as follows:

i. De-recognition of financial assets and liabilities

ii. Non-controlling interests

iii. Hedge accounting

(a) Elective exemptions from full retrospective application

In preparing these consolidated financial statements in accordance with IFRS 1, the Corporation has applied certain of the optional exemptions for full retrospective application. The optional exemptions applied are described below.

(b) Business Combinations

IFRS 1 provides the option to apply IFRS 3 *Business combinations*, prospectively from the transition date or from a specific date prior to the transition date. This provides relief from full retrospective application that would require restatement of all business combinations prior to the transition date. Parkland elected to apply IFRS 3 prospectively to business combinations occurring after its transition date. Business combinations occurring prior to the transition date have not been restated.

(c) Unit based compensation

The Corporation has elected not to apply IFRS 2 to equity instruments that were granted on or before November 7, 2002 or equity instruments granted after November 7, 2002 and vested by the date of transition.

(d) Decommissioning Liabilities

The Corporation has elected to apply the short-cut method for decommissioning liabilities within the scope of International Financial Reporting Interpretation Committee 1. The short-cut method permits the Corporation to estimate the amount that would have been included in the cost of the related asset when the liability first arose by discounting the liability to that date using the Corporation's best estimate of historical risk adjusted discount rates that would have applied for that liability over the period since it was first incurred.

Accumulated depreciation on the discounted amount is then calculated at the date of transition to IFRS, based on the current estimate of the useful life of the asset and using the depreciation policy adopted by the Corporation under IFRS.

6. EARNINGS ANALYSIS AND EARNINGS PER SHARE/UNIT

	Year ended December 31,	
(in 000's of Canadian Dollars)	2011	2010
Net earnings, basic	43,915	26,828
Interest and accretion on convertible debentures, net of tax	8,178	5,961
Revaluation of embedded derivative, net of tax	–	(3,702)
Net earnings, diluted	52,093	29,087
Earnings per share		
– basic	0.74	0.52
– diluted	0.73	0.44
Equivalent share/units outstanding, beginning of year	53,164	50,194
Weighted average of Class C units issued	–	1,145
Weighted average of Common Shares issued	4,200	-
Weighted average of Fund units issued	–	88
Weighted average of equivalent shares/units issued pursuant to restricted unit plan	278	249
Weighted average of equivalent shares/units issued pursuant to dividend/distribution re-investment plan	1,610	135
Weighted average of equivalent shares/units issued pursuant to exercise of share/unit options	177	152
Weighted average of equivalent shares/units issued pursuant to conversion of convertible debentures	1	–
Denominator utilized in basic earnings per share/unit	59,430	51,963
Incremental equivalent shares/units options that were dilutive	54	150
Incremental equivalent shares/units for debentures that were dilutive	12,167	13,710
Denominator utilized in diluted earnings per share/unit	71,651	65,823

7. RESTRICTED CASH

Restricted cash is comprised of $3,000 (December 31, 2010 – $0) of Guaranteed Investment Certificates used to secure the original issued amount of other loans (Note 16).

8. ACCOUNTS RECEIVABLE

	December 31, 2011	December 31, 2010	January 1, 2010
Trade accounts receivable	282,339	248,109	110,858
Miscellaneous, government and other non-trade accounts receivable	58,086	45,414	7,505
Allowance for doubtful accounts	(10,667)	(8,253)	(3,600)
	329,758	285,270	114,763

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

In 000's of Canadian Dollars and shares/units (except per share/unit amount)

9. INVENTORIES

	December 31, 2011	December 31, 2010	January 1, 2010
Gas and diesel	52,098	41,691	36,261
Propane	2,324	1,601	1,364
Agricultural inputs	7,403	5,397	4,848
Lubricants	19,606	8,932	4,174
Convenience store merchandise	39	2,026	1,962
Other	2,787	2,075	3,148
	84,257	61,722	51,757

For the year ended December 31, 2011, the amount of inventory recognized as cost of goods sold amounted to $3,566,030 (December 31, 2010 – $2,566,829).

10. RISK MANAGEMENT

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

As at December 31, 2011 and December 31, 2010, the only asset or liability measured at fair value on a recurring basis was the risk management asset, which was valued based on "Level 2 inputs".

The different levels have been defined as follows:

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

The following table reconciles the changes in the fair value of the financial instruments outstanding including any realized components (settlements in cash) in the year:

NYMEX New York harbour WTI to heating oil put option contract

	January 1, 2011 to December 31, 2011
Balance, beginning of year	–
Additions	1,275
Unrealized loss	(928)
Total fair value, end of year	347

Based on December 31, 2011 pricing, a $1.00 change in the price per barrel of NYMEX New York harbour WTI to heating oil is estimated to change pre-tax unrealized risk management by approximately $77.

Parkland had the following NYMEX New York harbour WTI to heating oil put option contract outstanding as at December 31, 2011. Fair values are determined using external counterparty information, which is compared to observable market data. Parkland limits its credit risk by executing counterparty risk procedures which include transacting only with financial institutions within Parkland's Extendible Facility (see Note 16).

Notional volume	Remaining term	Pricing	Fair value
84,000 bbls/month	January – March 2012	US$22.50/bbl	$347

Subsequent to December 31, 2011, Parkland entered into the following additional NYMEX New York harbour WTI to heating oil and gasoline put option contracts.

Notional volume and term	Pricing	Premium
78,000 bbls in the month of April 2012, 77,000 bbls in the month of May 2012 and 77,000 bbls in the month of June 2012	US$22.50/bbl	$1,067
189,000 bbls per month in the months of March to June 2012	US$25.00/bbl	$3,044

BUSINESS RISKS

Credit Risk

A substantial portion of Parkland's accounts receivable balance is with customers in the oil and gas, mining and forestry industries and is subject to normal industry credit risks. The credit risk is minimized by Parkland's broad customer and geographic base. In light of the current market conditions, Parkland's credit department has been expanded and policies strengthened to control the credit granting process. Parkland manages its exposure to credit risk through rigorous credit granting procedures, typically short payment terms and security interests where applicable. Parkland attempts to closely monitor the financial conditions of its customers and the industries in which they operate. Parkland performs ongoing credit evaluations of its customers and outstanding debts are regularly monitored and when deemed uncollectible a provision is established. At December 31, 2011, the provision for impairment of credit losses was $10,667 (December 31, 2010 – $8,253).

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

As at December 31, 2011	Current or within terms	31 – 60 Days past terms	61 – 90 Days past terms	Over 90 Days past terms	Total
Accounts Receivable	308,917	7,571	4,803	8,467	329,758
Accounts Payable	194,728	1,374	184	74	196,360

As at December 31, 2010	Current or within terms	31 – 60 Days past terms	61 – 90 Days past terms	Over 90 Days past terms	Total
Accounts Receivable	258,795	10,461	3,097	12,917	285,270
Accounts Payable	161,745	3,000	2,573	2,600	169,918

Interest Rate Risk

Parkland is exposed to market risk from changes in the Canadian prime interest rate and Bankers' Acceptance rate which can impact its borrowing costs. Parkland analysis the interest rate risk on a regular basis and mitigates that risk by considering refinancing, renewal of existing credit lines and hedging options. A 1% change in these interest rates would have caused an increase or decrease to earnings for the year ended December 31, 2011 of $2,494 (December 31, 2010 – $3,210).

Foreign Currency Rate Risk

Parkland purchases certain products in U.S. dollars and sells such products to its customers typically in Canadian dollars. As a result, fluctuations in the value of the Canadian dollar to the unbilled U.S. dollar can result in foreign exchange gains and losses. As at December 31, 2011 Parkland had U.S. dollar accounts payable totalling $US1,758 and U.S. dollar cash of $US28. Parkland purchases U.S. funds as required to pay U.S. dollar denominated invoices. Parkland does not forward contract purchases of U.S. funds. U.S. dollar accounts payable are payable in terms of less than 15 days. In the opinion of Parkland management there is no significant risk of exposure to foreign exchange loss due to fluctuations of exchange rates.

In 000's of Canadian Dollars and shares/units (except per share/unit amount)

Liquidity Risk

Liquidity risk is the risk that Parkland will encounter difficulties in meeting its short term financial obligations. Cash liquidity of Parkland is mainly provided by cash flows from operating activities and borrowings available under its extendible credit facility. In managing liquidity risk, Parkland has access to various credit products at competitive rates. As at December 31, 2011, Parkland has available unused credit facilities in the amount of $194,298 (December 31, 2010 – $40,400). Parkland believes it has sufficient funding through the use of its facility to meet foreseeable borrowing requirements.

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

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

As at December 31, 2010	2012	2013	2014	2015	2016	Thereafter	Total
Accounts payable	169,918	–	–	–	–	–	169,918
Distributions declared and payable	5,622	–	–	–	–	–	5,622
Long-term debt, including capital lease obligations (1)	330,330	2,734	687	91	60	739	334,641
Obligations under operating leases	7,088	6,089	5,358	3,952	3,566	15,615	41,668
Other long-term liabilities (1)	1,316	2,444	288	–	–	–	4,048
Convertible debentures (1)	8,940	8,964	8,940	106,125	47,586	–	180,555

(1) Principal and interest, including current portion

11. PROPERTY, PLANT AND EQUIPMENT

As at December 31, 2011	Land	Land Improvements	Buildings	Assets under Capital Lease	Plant and Equipment	Total
Cost						
Balance, as at January 1, 2011	33,530	19,509	70,941	7,141	261,708	392,829
Additions	13,408	8,799	4,824	–	31,735	58,766
Disposals	(3,117)	(378)	(6,728)	–	(31,514)	(41,737)
Balance, as at December 31, 2011	43,821	27,930	69,037	7,141	261,929	409,858
Accumulated depreciation						
Balance, as at January 1, 2011	–	4,916	20,266	1,181	123,869	150,232
Depreciation charge for the year	–	847	4,053	1,816	31,337	38,053
Disposals	–	(204)	(1,749)	–	(23,435)	(25,388)
Balance, as at December 31, 2011	–	5,559	22,570	2,997	131,771	162,897
Carrying amount						
As at January 1, 2011	33,530	14,593	50,675	5,960	137,839	242,597
As at December 31, 2011	43,821	22,371	46,467	4,144	130,158	246,961

As at December 31, 2010	Land	Land Improvements	Buildings	Assets under Capital Lease	Plant and Equipment	Total
Cost						
Balance, as at January 1, 2010	31,714	13,449	66,444	4,302	217,710	333,619
Additions	2,891	6,486	7,295	2,839	48,333	67,844
Disposals	(1,075)	(426)	(2,798)	–	(4,335)	(8,634)
Balance, as at December 31, 2010	33,530	19,509	70,941	7,141	261,708	392,829
Accumulated depreciation						
Balance, as at January 1, 2010	–	3,548	16,953	666	95,344	116,511
Depreciation charge for the year	–	1,368	4,880	515	32,430	39,193
Disposals	–	–	(1,567)	–	(3,905)	(5,472)
Balance, as at December 31, 2010	–	4,916	20,266	1,181	123,869	150,232
Carrying amount						
As at January 1, 2010	31,714	9,901	49,491	3,636	122,366	217,108
As at December 31, 2010	33,530	14,593	50,675	5,960	137,839	242,597

At December 31, 2011, Parkland had assets under construction of $17,391 (December 31, 2010 – $6,090) consisting of retail stations and a rail siding terminal development project at Bowden, Alberta.

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

12. INTANGIBLE ASSETS

As at December 31, 2011	Customer Relationships	Tradenames	Non-compete agreements	Software systems	Total
Cost					
Balance, as at January 1, 2011	127,674	6,366	3,309	18,072	155,421
Additions	25,863	50	–	–	25,913
Disposals	(28)	–	–	–	(28)
Balance, as at December 31, 2011	153,509	6,416	3,309	18,072	181,306
Accumulated amortization					
Balance, as at January 1, 2011	31,353	4,060	1,204	452	37,069
Amortization charge for the year	21,123	1,271	658	1,807	24,859
Balance, as at December 31, 2011	52,476	5,331	1,862	2,259	61,928
Carrying amount					
As at January 1, 2011	96,321	2,306	2,105	17,620	118,352
As at December 31, 2011	101,033	1,085	1,447	15,813	119,378

In 000's of Canadian Dollars and shares/units (except per share/unit amount)

As at December 31, 2010	Customer Relationships	Tradenames	Non-compete agreements	Software systems	Total
Cost					
Balance, as at January 1, 2010	29,696	4,966	2,171	12,212	49,045
Additions	97,978	1,400	1,138	5,860	106,376
Balance, as at December 31, 2010	127,674	6,366	3,309	18,072	155,421
Accumulated amortization					
Balance, as at January 1, 2010	10,067	2,819	674	-	13,560
Amortization charge for the year	21,286	1,241	530	452	23,509
Balance, as at December 31, 2010	31,353	4,060	1,204	452	37,069
Carrying amount					
As at January 1, 2010	19,629	2,147	1,497	12,212	35,485
As at December 31, 2010	96,321	2,306	2,105	17,620	118,352

13. GOODWILL

	January 1, 2011 to December 31, 2011	January 1, 2010 to December 31, 2010	January 1, 2009 to January 1, 2010
Balance, beginning of year	90,369	28,269	13,500
Acquired through Island Petroleum Ltd. purchase (Note 24b)	(486)	2,779	-
Acquired through Bluewave Energy purchase (Note 24c)	-	59,321	-
Acquired through Eagle Marine Ltd. purchase	-	-	400
Acquired through Anmart Fuels purchase	-	-	188
Acquired through Columbia Fuels Ltd. purchase	-	-	14,181
Balance, end of year	89,883	90,369	28,269

The Corporation did not identify any indicators of impairment at the Transition Date. An impairment test was conducted at the Transition Date and the recoverable amount of the CGU was determined on a value in use basis.

The entire goodwill has been allocated to the fuel marketing segment. No impairment was identified for Goodwill for January 1, 2010, December 31, 2010 and for December 31, 2011.

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

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

No impairment was identified as a result of this analysis.

14. LOAN RECEIVABLES

Loan receivables consisting of loans to retail and commercial dealers are receivable in monthly instalments of $79 (December 31, 2010 – $144), bear interest at rates ranging between nil% and 10.25% (December 31, 2010 – nil% and 10.75%) and are secured by specific assets of the borrower.

15. INCOME TAXES

Immediately prior to giving effect to the Conversion on December 31, 2010, the Fund itself was not subject to income tax provided it distributed all of its taxable income to unitholders. For taxation purposes, the Fund was considered a specified investment flow-through ("SIFT") entity and was to become subject to tax commencing January 1, 2011. For accounting purposes, the Fund computed deferred tax based on temporary differences that were expected to reverse after 2010, at the tax rate expected to apply for those periods. Realization of deferred tax assets is dependent on generating sufficient taxable income during the period in which the temporary differences are deductible. Although realization is not assured, management believes it is more likely than not that all deferred tax assets will be realized based on reversals of temporary timing differences, projections of operating results and tax planning strategies available to Parkland Fuel Corporation and its subsidiaries. Effective December 31, 2010, after giving effect to the Conversion, Parkland became subject to tax on taxable income earned from that date forward.

Income tax expense

	Year ended December 31,	
	2011	2010
Current tax:		
Current tax on profits for the year	18,113	-
Adjustments in respect of prior years	1,943	-
Total current tax	20,056	-
Deferred tax:		
Origination and reversal of temporary differences	(2,357)	(13,373)
Total deferred tax (recovery)	(2,357)	(13,373)
Income tax expense	17,699	(13,373)

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

	Year ended December 31,	
	2011	2010
Profit before tax	61,614	13,455
Tax calculated at statutory tax rates	17,104	3,992
Tax effects of:		
Non-taxable portion of gain on sale of property, plant and equipment	(563)	-
Non-deductible expenses	215	-
Adjustments in respect of prior years	1,943	-
Rate differential and other items	(1,000)	2,050
Income earned in limited partnership	-	(19,415)
Tax charge	17,699	(13,373)

The statutory tax rate was 27.8% (2010 – 29.7%). The decrease in statutory tax rate was primarily due to a reduction in the federal rate from 18% in 2010 to 16.5% in 2011 and a change in the provincial allocation as a result of the Cango acquisition.

In 000's of Canadian Dollars and shares/units (except per share/unit amount)

Deferred income tax

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	Year ended December 31,	
Deferred income tax	2011	2010
Deferred tax assets	10,024	8,253
Deferred tax liabilities	8,034	3,475
Deferred tax assets (net)	1,990	4,778

Deferred tax assets of $723 (December 31, 2010 – $371) and deferred tax liabilities of $2,899 (December 31, 2010 – $1,726) are expected to reverse during the next 12 months.

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

	January 1, 2011 to December 31, 2011	January 1, 2010 to December 31, 2010
Balance, beginning of year	4,778	(13,752)
Acquisition of subsidiary – Cango Inc. (Note 24a)	(5,145)	-
Acquisition of subsidiary – Bluewave Energy Limited Partnership (Note 24c)	-	5,157
Income statement charge	2,357	13,373
Balance, end of year	1,990	4,778

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

	Consolidated Statements of Comprehensive Income		Consolidated Balance Sheets		
	2011	2010	Dec 31, 2011	Dec 31, 2010	Jan 1, 2010
Property, plant and equipment	(2,593)	(4,715)	(11,896)	(14,146)	(13,033)
Intangibles	6,503	(11,429)	5,587	19,107	(3,307)
Asset retirement obligations	(2,063)	(1,361)	6,666	2,388	1,027
Refinery remediation	(801)	(509)	2,942	2,141	1,632
Fair value gains	1,173	(163)	(2,899)	(1,726)	(1,889)
Other	(4,576)	4,804	1,590	(2,986)	1,818
	(2,357)	(13,373)	1,990	4,778	(13,752)

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

16. FINANCING AND CREDIT FACILITIES

(a) Long-Term Debt

	December 31, 2011	December 31, 2010	January 1, 2010
Other loans	578	-	-
Extendible facility	226,413	315,690	51,504
Mortgage payable	-	275	295
Capital lease obligations	4,029	5,076	3,170
	231,020	321,041	54,969
Less current portion	(2,779)	(80,392)	(13,939)
	228,241	240,649	41,030

Estimated repayments for the next five years are:

	2012	2013	2014	2015	2016	Thereafter	Interest expense included in minimum lease payments	Total
Obligations under capital lease	2,762	776	86	60	60	679	(394)	4,029
Other loans	257	169	226,530	35	–	–	–	226,991
	3,019	945	226,616	95	60	679	(394)	231,020

(b) Extendible Facility

A new revolving extendible credit facility (the "Extendible Facility") agreement was executed on June 30, 2011 for a period of three years. The facility is extendible each year for a rolling three-year period at the option of Parkland. If the Extendible Facility is not extended past the maturity date of June 29, 2014, all amounts outstanding are repayable on the maturity date.

Prior to June 30, 2011, Parkland maintained a revolving extendible facility for a maximum amount of $400,000 consisting of a revolving operating loan to a maximum of $90,000 plus a capital loan to a maximum of $275,000 plus a letter of credit facility to a maximum of $35,000.

The new Extendible Facility is for a maximum amount of $450,000 (December 31, 2010 – $400,000) with interest only payable at the bank's prime lending rate plus 1.0% to 2.5% (December 31, 2010 – 2.5% to 3.75%) per annum. The new Extendible Facility includes the following components:

i) A revolving operating loan to a maximum of $450,000 less the value of letters of credit issued (December 31, 2010 – $90,000 operating loan and $275,000 capital loan). As at December 31, 2011, the outstanding balances totalled $227,431 (December 31, 2010 – $45,900 operating loan and $273,881 capital loan). The revolving operating loan bears interest at prime plus 1.5% (December 31, 2010 prime plus 3.25%) or Bankers' Acceptance rate plus 2.5% (December 31, 2010 Bankers' Acceptance rate plus 4.25%). The interest rate at December 31, 2011 was 4.5% for prime-based loans (December 31, 2010 6.3% prime based loans) and 3.45% for Bankers' Acceptance based loans (December 31, 2010 Bankers' Acceptance based loans 5.5%).

ii) A letter of credit facility to a maximum of $60,000 (December 31, 2010 – $35,000). As at December 31, 2011, outstanding balances totalled $28,173 (December 31, 2010 – $33,480) which mature at various dates up to July 31, 2012.

The revolving operating loan incurs standby fees for any unused portion of the facility at a rate of 0.5% to 0.8750% (December 31, 2010 – 0.875% to 1.1875%) depending on the ratio of funded debt to earnings before interest, taxes and depreciation and amortization ("EBITDA" a non-GAAP financial measure). See Note 23 for a reconciliation of net earnings to EBITDA). Security on the new Extendible Facility is the assignment of insurance and a floating charge demand debenture for $650,000 creating a first floating charge over all of the undertaking, property and assets of Parkland.

Deferred finance charges of $1,018 (December 31, 2010 – $3,843) have reduced the value of the new Extendible Facility and are amortized in proportion to the facility utilized.

As at December 31, 2011, Parkland was in compliance with all lender covenants under the new Extendible Facility.

(c) Capital Lease Obligations

Capital leases are payable in monthly instalments totalling $126 (December 31, 2010 – $135) including interest varying from 0% to 8.05% (December 31, 2010 – 0% to 10.37%). The leases are for land, buildings and equipment with a net book value of $5,382 (December 31, 2010 – $5,960), and mature at various dates ending up to July 2022.

17. OTHER LONG-TERM LIABILITIES

The other long-term liabilities are non-interest bearing loans from a vendor of Bluewave Energy Limited Partnership, with principal repayments of $2,236 required in 2012 and $313 in 2013. The debt has been recorded at amortized cost. Other long-term liabilities were valued using an interest rate of 7.6% (December 31, 2010 – 7.6%).

18. CONVERTIBLE DEBENTURES

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

The Series 1 Debentures mature on November 30, 2014 and the Series 2 Debentures mature on December 31, 2015 at which time the Debentures are due and payable. The Series 1 Debentures may be redeemed in whole or in part at the option of Parkland on or after November 30, 2012 and prior to November 30, 2013 and the Series 2 Debentures may be redeemed in whole or in part at the option of Parkland on or after December 31, 2013 and prior to December 31, 2014, on not more than 60 days and not less than 30 days prior notice at a price equal to the principal amount thereof plus accrued and unpaid interest, provided that the current market price of the common shares of Parkland on the date immediately preceding the date on which the notice of redemption is given is not less than 125% of the conversion price. The Debentures may be redeemed prior to their maturity dates in whole or in part at a price equal to their principal amount plus accrued and unpaid interest on or after November 30, 2013 for the Series 1 Debentures and on or after December 31, 2014 for the Series 2 Debentures.

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

Under Previous GAAP, before the Conversion, a portion of the proceeds of the Debentures was allocated to unitholders' capital, representing the value of the conversion feature. Under IFRS, an equity portion is not determined; rather the embedded derivative arising from the debt-equity conversion feature is valued at each reporting date with the change in value at each reporting period included in the Consolidated Statements of Comprehensive Income in finance costs as "revaluation of embedded derivative". Under IFRS, the binomial method was used to value the conversion feature for the Debentures. On Conversion, the Series 1 Debentures had a conversion feature value of $0 and the previously recognized conversion feature of $5,266 was reversed. Upon issuance on December 21, 2010 and at Conversion, the Series 2 Debentures had a conversion value of $0. Post Conversion, there is no requirement to further revalue the conversion feature. The debt balance of the Debentures in the Consolidated Balance Sheets, net of issue costs and the value of the conversion feature at Conversion, accretes over the remaining term of the Debentures. Using the effective interest rate method, the accretion of the debt discount and the interest paid to debenture holders are expensed each period as part of the item line "interest and accretion on convertible debentures" in the Consolidated Statements of Comprehensive Income.

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

	January 1, 2011 to December 31, 2011		January 1, 2010 to December 31, 2010		January 1, 2009 to January 1, 2010	
	Principal Amount of Debentures	Convertible Debenture Debt	Principal Amount of Debentures	Convertible Debenture Debt	Principal Amount of Debentures	Convertible Debenture
Series 1 Debentures						
Balance, beginning of year	97,750	90,358	97,750	93,515	–	–
December 1, 2009 issuance	–	–	–	–	97,750	92,484
Issue costs	–	–	–	–	–	(4,310)
Revaluation of embedded derivative	–	–	–	(5,266)	–	5,266
Change due to passage of time	–	1,808	–	2,109	–	75
Balance, end of year	97,750	92,166	97,750	90,358	97,750	93,515
Series 2 Debentures						
Balance, beginning of year	45,000	43,002	–	–	–	–
December 1, 2010 issuance	–	–	45,000	42,200	–	–
Unwinding of equity portion upon Conversion	–	–	–	2,676	–	–
Conversion to common shares	(25)	(25)				
Issue costs	–	–	–	(1,875)	–	–
Change due to passage of time	–	401	–	1	–	–
Balance, end of year	44,975	43,378	45,000	43,002	–	–
Series 1 and Series 2 Debentures, end of year	142,725	135,544	142,750	133,360	97,750	93,515

Assumptions used under the binomial method:

Series 1 Debentures	January 1, 2010	December 31, 2010
Volatility	58.0%	56.4%
Market price per unit	$ 13.40	$ 11.48
Dividend yield	9.4%	11.0%

Series 2 Debentures	December 14, 2010	December 31, 2010
Volatility	61.2%	61.2%
Market price per unit	$ 10.74	$ 11.48
Dividend yield	11.7%	11.0%

In 000's of Canadian Dollars and shares/units (except per share/unit amount)

19. ASSET RETIREMENT OBLIGATIONS

A reconciliation of Parkland's estimated liability for the removal of its underground storage tanks is as follows:

	January 1, 2011 to December 31, 2011	January 1, 2010 to December 31, 2010	January 1, 2009 to January 1, 2010
Asset retirement obligations, beginning of year	12,338	11,219	5,462
Additional provisions during the year	9,414	3,187	7,384
Amounts used during the year	(1,780)	(118)	-
Unused amounts reversed during the year	(1,061)	(1,369)	(1,261)
Change due to passage of time and discount rate	6,567	(581)	(366)
Asset retirement obligations, end of year	25,478	12,338	11,219

Parkland is liable for the environmental obligations related to the removal of its underground storage tanks at properties that it leases and owns. The asset retirement obligation represents the present value estimate of Parkland's cost to remove these tanks. The total undiscounted estimated future cash flows required to settle Parkland's obligation was $31,147 at December 31, 2011 (December 31, 2010 – $22,715). The costs are expected to be incurred between 2012 and 2046. At December 31, 2011, the discount rate used to determine the present value of the future costs was 4.31% (December 31, 2010 – 7.36%).

20. REFINERY REMEDIATION ACCRUAL

	January 1, 2011 to December 31, 2011	January 1, 2010 to December 31, 2010	January 1, 2009 to January 1, 2010
Refinery remediation accrual, beginning of year	6,827	6,527	6,107
Additions during the year	1,147	-	-
Change due to passage of time	3,268	300	420
Refinery remediation accrual, end of year	11,242	6,827	6,527

In December 2004, Parkland eliminated the carrying value of its Bowden refinery and recorded a net liability of $3,400 for future estimated costs of remediation of the site, based on the uncertainty of creating an alternative to the refinery being dismantled and remediated. The Refinery Remediation Accrual represents the present value estimate of Parkland's cost to remediate the site.

Parkland has previously used the refinery site for processing fluids used in the oilfields. The contract was terminated and Parkland is therefore continuing to pursue other economically viable uses for the refinery site. Parkland uses the tanks for storage and has been upgrading the equipment for use as a railroad terminal and plans to use the tanks for storage and shipping product by rail. Therefore any decision to dismantle, remediate and sell the refinery site has been deferred. The obligations relating to future environmental remediation, however, continue to exist. The timing of this remediation is uncertain at this point of time.

In September 2011, Parkland sold refinery catalyst, which is used to purify crude during a chemical process, for $2,018, with a gain on disposal of $796.

Assuming Parkland continues operations at the refinery site, remediation for any potential environmental liabilities associated with a complete dismantling of the site would be delayed indefinitely. Parkland has estimated the discounted cost of remediation on the basis that operations continue and that remediation would be part of a multi-year management plan. Remediation costs have been estimated using independent engineering studies conducted in December 2007. The total undiscounted estimated future cash flows, to be incurred over an extended period after operations cease, are approximately $15,919 (December 31, 2010 – $13,800). The costs are expected to be incurred between 2018 and 2027. The discount rate used to determine the present value of the future costs is 4.31% (December 31, 2010 – 6.90%).

21. SHAREHOLDERS' CAPITAL

(a) Shareholders' Capital

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

	January 1, 2011 to December 31, 2011		January 1, 2010 to December 31, 2010		January 1, 2009 to January 1, 2010	
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount
Shares						
Balance, beginning of year	53,164	179,804	-	-	-	-
Common shares issued pursuant to the Conversion	-	-	53,164	179,804	-	-
Issued under dividend re-investment plan	3,443	37,042	-	-	-	-
Issued on vesting of restricted shares	390	-	-	-	-	-
Issued for cash, net of issue costs	7,130	82,597	-	-	-	-
Issued on capital acquisition, net of issue costs	-	-	-	-	-	-
Issued under share option plan	227	1,513	-	-	-	-
Issued upon conversion of debentures	1	25				
Balance, end of year	64,354	300,981	53,164	179,804	-	-

On May 12, 2011, Parkland entered into an agreement with a syndicate of underwriters ("Underwriters"), under which the Underwriters have agreed to purchase for resale to the public, on a bought deal basis 6,200,000 common shares in the capital of Parkland, at a price of $12.10 per common share resulting in aggregate gross proceeds of $75,020. The Underwriters have exercised the option to purchase from the Corporation an additional 930,000 common shares at the same price per common share which increased the aggregate gross proceeds of the Offering to $86,273 (the "Offering").

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

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

(b) Unitholders' Capital

Authorized capital of the Fund consisted of an unlimited number of Fund units and Class B and Class C Limited Partnership ("LP") units.

Fund units represented an undivided interest in the Fund. Class B and Class C LP units represented a partnership interest in Parkland Holdings Limited Partnership and were exchangeable on a one-for-one basis into Fund units. Fund unitholders and Class B and Class C LP unitholders were entitled to vote at meetings of the Fund and were entitled to distributions from time to time as determined by the Board of Directors.

In 000's of Canadian Dollars and shares/units (except per share/unit amount)

	January 1, 2011 to December 31, 2011		January 1, 2010 to December 31, 2010		January 1, 2009 to January 1, 2010	
	Number of Units	Amount	Number of Units	Amount	Number of Units	Amount
Class B Limited Partnership Units						
Balance, beginning of year	–	–	2,577	2,440	2,885	3,153
Allocation of retained earnings	–	–	–	1,474	–	2,730
Distribution to partners	–	–	–	–	–	(3,443)
Exchanged for fund units	–	–	(19)	(252)	(308)	–
Units cancelled under the Conversion	–	–	(2,558)	(3,662)	–	–
Balance, end of year	–	–	–	–	2,577	2,440
Class C Limited Partnership Units						
Balance, beginning of year	–	–	5,309	53,881	5,238	53,461
Issued on capital acquisition, net of issue costs	–	–	1,240	15,314	208	1,935
Allocation of retained earnings	–	–	–	1,070	–	5,174
Distribution to partners	–	–	–	–	–	(6,689)
Exchanged for fund units	–	–	(4,825)	(60,726)	(137)	–
Units cancelled under the Conversion	–	–	(1,724)	(9,539)	–	–
Balance, end of year	–	–	–	–	5,309	53,881
Total for Class B and C	–	–	–	–	7,886	56,321

	January 1, 2011 to December 31, 2011		January 1, 2010 to December 31, 2010		January 1, 2009 to January 1, 2010	
	Number of Units	Amount	Number of Units	Amount	Number of Units	Amount
Fund Units						
Balance, beginning of year	–	–	42,308	122,337	41,542	134,942
Allocation of retained earnings	–	–	–	24,284	–	34,288
Distribution to unitholders	–	–	–	(59,819)	–	(52,152)
Issued under distribution re-investment plan	–	–	256	2,897	144	1,332
Issued on vesting of restricted units	–	–	249	–	136	–
Unit incentive compensation	–	–	–	2,798	–	2,950
Issued for cash, net of issue costs	–	–	–	–	4	35
Issued on capital acquisition, net of issue costs	–	–	1,036	11,868	–	–
Issued under unit option plan	–	–	189	1,260	146	942
Exchange of limited partnership units	–	–	4,844	60,978	445	–
Expired exchange units	–	–	–	–	(109)	–
Units cancelled under the Conversion	–	–	(48,882)	(166,603)	–	–
Balance, end of year	–	–	–	–	42,308	122,337

(c) Share Option Plan

Parkland has a Share Option Plan under which Parkland may issue from treasury, together with any other compensation arrangement, an amount not to exceed 10% of the issued and outstanding common shares. The eligible participants are officers, employees or consultants of the Corporation. The exercise price shall be fixed by the Board of Directors at the time of grant; provided that the exercise price shall not be less than fair market value of the common shares. All units granted under the former unit option plan were transferred under the same terms and conditions to options for common shares under the Conversion. The unit options granted under the former unit option plan have a ten year term and, with limited exceptions, vest proportionally over the first three anniversary dates following the grant. All new share option grants under the Share Option Plan have an eight year term and vest over three years. Each annual vesting tranche is considered a separate award with its own vesting period and grant date fair value. Fair value of each annual vesting tranche is measured at the date of grant using the Black-Scholes option pricing model. Compensation expense is recognized over the tranche's vesting period by increasing contributed surplus based on the number of awards expected to vest. The number of awards expected to vest is reviewed at least annually, with any impact being recognized immediately.

Share options outstanding at the end of the year have the following expiry date and exercise prices:

				Shares
Grant-vest	Expiry Date	Exercise price in $ per share	2011	2010
2003-06	Jan 2014	4.15	27	33
2004-07	Jan 2014	6.32	12	53
2004-07	Jan 2014	6.68	15	30
2005-08	Jan 2015	6.73	–	120
2005-08	Jan 2015	7.10	10	10
2005-08	Jan 2015	7.27	57	101
2011-12	May 2019	10.47	29	–
2011-12	May 2019	12.25	156	–
2011-13	May 2019	10.47	29	–
2011-13	May 2019	12.25	156	–
2011-14	May 2019	10.47	29	–
2011-14	May 2019	12.25	156	–
			676	347

Pursuant to Parkland's Share Option Plan, on May 12, 2011, 510 options for common shares were granted at an exercise price of $12.25 per share vesting over three years and having an eight year term. On September 6, 2011, 86 options for common shares were granted at an exercise price of $10.47 per share vesting over three years and having an eight year term.

In 000's of Canadian Dollars and shares/units (except per share/unit amount)

The total compensation cost that has been included in marketing, general and administrative expenses for the year ended December 31, 2011 is $340 (December 31, 2010 – $0).

	January 1, 2011 to December 31, 2011		January 1, 2010 to December 31, 2010		January 1, 2009 to January 1, 2010	
	Number of Shares	Average Exercise Price	Number of Shares/Units	Average Exercise Price	Number of Units	Average Exercise Price
Option shares/units, beginning of year	347	$6.79	536	$6.62	682	$6.58
Granted	596	11.99	-	-	-	-
Exercised	(227)	6.68	(189)	6.30	(146)	6.45
Forfeited	(40)	12.25	-	-	-	-
Option shares/units, end of year	676	$10.98	347	$6.79	536	$6.62
Exercisable options, end of year	121	$6.39	347	$6.79	536	$6.62

Out of the 676 outstanding options (2010: 347 options), 121 options (2010: 347) were exercisable. Options exercised in 2011 resulted in 226 shares being issued at a weighted average price of $6.68 each (2010: $6.30 each). The related weighted average share price over the period of exercise was $11.59 (2010: $11.37) per share.

The weighted average fair value of options granted during the period determined using the Black-Scholes valuation model was $1.23 per option. The significant inputs into the model were weighted average share price of $12.25 at the grant date, exercise price of $12.25, volatility of 27.1%, dividend yield of 8.0%, an expected option life of eight years and an annual risk-free interest rate of 4.3%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last two years. There were no share options granted in 2010.

(d) Restricted Share Unit Plan

Parkland awards certain directors, officers, employees and consultants restricted share units at no cost, and the restricted share units are expensed uniformly over their vesting period. The fair market value of the award is based on the volume weighted average trading price for the Shares on the Toronto stock exchange for the five trading days immediately preceding the date of the grant. Under the Conversion, all grants under the former Restricted Unit Plan will be settled in common shares of the Corporation, with all other terms and conditions remaining the same. No further grants will be made from the former Restricted Unit Plan.

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

	January 1, 2011 to December 31, 2011		**January 1, 2010 to December 31, 2010**		**January 1, 2009 to January 1, 2010**	
	Number of Shares	Weighted Average Share Price	Number of Shares/Units	Weighted Average Unit Price	Number of Units	Weighted Average Unit Price
Restricted shares/units, beginning of year	670	$9.86	685	$8.35	339	$12.97
Granted	140	12.25	311	13.22	506	6.40
Issued on vesting	(269)	10.33	(249)	9.81	(136)	13.00
Forfeited	(106)	9.35	(77)	10.11	(24)	9.06
Restricted share/units, end of year	435	$10.41	670	$9.86	685	$8.35

The total compensation cost that has been included in marketing, general and administrative expenses for the year ended December 31, 2011 is $1,411 (December 31, 2010 – $2,798).

22. FINANCE COSTS

	Years ended December 31,	
	2011	2010
Finance Costs		
Accretion on refinery remediation	3,268	300
Accretion on asset retirement obligation	6,567	(581)
Interest on long-term debt	15,550	24,435
Interest and accretion on convertible debentures	11,327	8,479
Revaluation of embedded derivative	–	(5,266)
Total Finance Costs	36,712	27,367

23. CAPITAL MANAGEMENT

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

I. maintain financial flexibility so as to preserve the Corporation's access to capital markets and its ability to meet its financial obligations; and

II. finance internally generated growth as well as potential acquisitions.

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

In 000's of Canadian Dollars and shares/units (except per share/unit amount)

Parkland currently targets a Net Debt to Capitalization ratio of below 50% on a long-term basis. This target may be periodically exceeded if strategic acquisitions are available. Parkland has exceeded this ratio primarily as a result of the January 2010 acquisition of Bluewave Energy. The Net Debt to Capitalization ratio has decreased from December 31, 2010 to December 31, 2011 partially as a result of the issuance of 7,130 common shares on June 2, 2011 for proceeds of $82,597, net of issue costs. At December 31, 2011, the Net Debt to Capitalization ratio was 54% (December 31, 2010 – 71%), calculated as follows:

	December 31, 2011	December 31, 2010	January 1, 2010
Long-term debt (including current portion), long-term liabilities (including current portion) and convertible debentures	369,113	457,963	148,484
Cash and cash equivalents	(24,905)	(18,523)	(17,612)
Restricted cash	(3,000)	–	–
Net Debt	341,208	439,440	130,872
Class B & C limited partnership units	–	–	56,321
Shareholders' / unitholders' equity	286,194	179,804	122,337
Capitalization	627,402	619,244	309,530
Net Debt to Capitalization	54%	71%	42%

Parkland currently targets a Net Debt to EBITDA ratio of less than 4.0 times (4.0 times – December 31, 2010). This target may be periodically exceeded if strategic acquisitions are available. EBITDA from acquisitions is not included for periods prior to acquisition in the following trailing twelve-month EBITDA calculation. At December 31, 2011 the debt to EBITDA ratio was 2.26 times (December 31, 2010 – 4.37 times) calculated on a trailing twelve-month basis as follows:

	December 31, 2011	December 31, 2010	January 1, 2010
Net Debt	341,208	439,440	130,872
Net earnings	43,915	26,828	48,604
Add			
Finance costs	36,712	27,367	6,356
Gain on disposal of property, plant and equipment	(15,938)	(3,119)	(863)
Depreciation and amortization	68,444	62,917	37,878
Income tax expense (recovery)	17,699	(13,373)	(1,135)
EBITDA	150,832	100,620	90,840
Net Debt to EBITDA	2.26	4.37	1.44

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

24. ACQUISITIONS

(a) Cango Incorporated

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

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

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

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

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

(b) Island Petroleum Limited

On December 30, 2010, Parkland acquired assets of Island Petroleum Ltd., a company specializing in distribution of heating oil based in Prince Edward Island for $24,040. The purchase price included $12,173 paid in cash consideration in January 2011 and the December 2010 issuance of 1,036 fund units valued at $11,867. The acquisition of Island Petroleum Ltd. advanced the Corporation's strategy of continued growth of market share of the distribution of heating oil in Canada. The transaction was an asset purchase and accounted for using the purchase method as no voting equity interest was acquired.

In 000's of Canadian Dollars and shares/units (except per share/unit amount)

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

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

The goodwill of $2,293 which arose from the acquisition was attributable to the synergies from combining operations of heating oil and fuel distribution, increased market presence, combining offices and resource optimization for Parkland. None of the goodwill recognized is expected to be deductible for income tax purposes. No liabilities were assumed as a result of this acquisition.

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

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

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

(c) Bluewave Energy Limited Partnership

On January 31, 2010, Parkland acquired substantially all of the assets, property and undertakings of Bluewave Energy Limited Partnership ("Bluewave") for an aggregate purchase price before acquisition costs of $228,408. Bluewave is a national petroleum distribution company headquartered in Dartmouth, Nova Scotia, and is Shell's largest branded distributor in Canada. The acquisition of Bluewave provides Parkland with significant growth in fuel volume, both immediately and through a pipeline of potential future acquisitions.

The goodwill of $59,321 recognized in this acquisition essentially represents the expected synergies from the combined operations as it expands Parkland's geographic reach into Atlantic Canada and improves Parkland's overall geographic and customer diversity. The acquisition will also increase the Corporation's total purchasing volume, which is expected to give rise to additional cost-saving opportunities. Goodwill in the value of $86,550 is expected to be deductible for income tax purposes in the future.

The transaction was effective February 1, 2010, and was accounted for using the purchase method with the allocation of the purchase price as follows:

	December 31, 2010
Estimated fair value of net assets acquired:	
Intangible asset – customer relationships	83,700
Intangible asset – tradenames	1,400
Intangible asset – non-compete agreement	600
Goodwill	59,321
Property, plant and equipment	25,753
Other long-term receivable	448
Deferred tax asset	5,157
Working capital	52,029
	228,408
Consideration:	
Liabilities assumed	8,708
Cash paid to vendor	204,386
Class C Limited Partnership units	15,314
	228,408
Non cash consideration:	
Liabilities assumed	(8,708)
Class C Limited Partnership units issued	(15,314)
	204,386

The fair value of the 1,240 Class C Limited Partnership units issued as part of the consideration paid for Bluewave was based on the published share price of $12.35 on February 1, 2010.

Trade receivables acquired in the transaction have a fair value of $7,124, with gross contractual amounts receivable of $9,565. The best estimate at the acquisition date of the contractual cash flows for which collection is uncertain is $2,441.

Acquisition related costs of $2,538 are included in Marketing, General and Administrative expenses.

From the date of acquisition to December 31, 2010, Bluewave's revenue of $545,937 and net earnings of $5,054 have been included in the consolidated statement of comprehensive income for the year ended December 31, 2010. Had the Bluewave acquisition occurred on January 1, 2010 additional revenue of $54,719 and net earnings of $753 would have been recorded in the December 31, 2010 consolidated statement of comprehensive income. These pro-forma financial information are not necessarily indicative of the financial position or results of operations that would have resulted had the relevant transaction taken place at the beginning of the year.

(d) Shell Alliance Distributor

On September 30, 2010, Parkland acquired from Shell Canada Products and Pennzoil-Quaker State Canada Inc. the right to sell lubricants and car care products branded with Shell or Pennzoil-Quaker State trademarks to a specific list of customer accounts for cash consideration of $2,000 paid to the vendor. The $2,000 estimated fair value of the net assets acquired was allocated to customer relationships included within intangible assets.

25. COMMITMENTS

The Corporation has purchase commitments under its fuel supply contracts that require the purchase of approximately 2.4 billion litres of fuel products at variable cost in the 12 months following December 31, 2011.

In 000's of Canadian Dollars and shares/units (except per share/unit amount)

26. NET CHANGES IN NON-CASH WORKING CAPITAL

	Year ended December 31, 2011	2010
Accounts receivable	(42,396)	(81,558)
Income tax receivable	788	(17)
Inventories	(21,501)	(391)
Risk management	(347)	-
Prepaid expenses and other	3,080	(2,011)
Accounts payable and accrued liabilities	26,477	7,844
Income taxes payable	17,026	-
Deferred revenue	(653)	(671)
Dividends/distributions declared and payable	(153)	417
Total for operating activities	(17,679)	(76,387)

27. SEGMENTED INFORMATION

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

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

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

	For the year ended December 31,			
	Fuel Marketing	Non-Fuel Commercial	Other Non-Fuel	Total
2011				
Sales and operating revenue	3,668,093	249,074	63,310	3,980,477
Cost of sales	3,360,322	174,444	37,265	3,572,031
Gross profit	307,771	74,630	26,045	408,446
2010				
Sales and operating revenue	2,680,027	146,324	64,822	2,891,173
Cost of sales	2,461,407	95,064	18,538	2,575,009
Gross profit	218,620	51,260	46,284	316,164

28. RELATED PARTY TRANSACTIONS

Parkland receives legal services from Bennett Jones LLP where a director of the Corporation is a partner. The fees paid during the year ended December 31, 2011 amounted to $1,828 (December 31, 2010 – $1,820) including $68 (December 31, 2010 – $514) in amounts payable at December 31, 2011.

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

29. SEASONALITY

Parkland's retail fuels and supply and wholesale operations typically experience higher volumes and refiners' margins during the second and third quarters of the year, driven by higher consumer purchases during the summer months. The commercial fuels segment experiences higher volumes during the first and fourth quarters of the year, due to higher heating fuel and propane demand during the colder months.

30. EXPENSE BY NATURE

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

	Year ended December 31,	
	2011	2010
Cost of sales	6,001	8,180
Operating costs	37,438	28,694
Marketing, general and administrative	51,461	41,169
	94,900	78,043

31. KEY MANAGEMENT COMPENSATION

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

	Year ended December 31,	
	2011	2010
Salaries and short-term employee benefits	4,593	6,325
Termination benefits	2,965	137
Share-based payments	156	157
	7,714	6,619

32. CONTINGENCIES

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

33. COMPARATIVE FIGURES

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

Supplementary Information (unaudited)

	Three months ended December 31,		Year ended December 31,	
	2011	2010	2011	2010
Volume (millions of litres)				
Retail fuels	464	376	1,687	1,470
Commercial fuels	476	449	1,785	1,458
Supply & Wholesale	273	165	958	682
Intersegment sales	(117)	(9)	(269)	(110)
Total fuel volume	1,096	981	4,161	3,500
Net sales and operating revenue (millions of Canadian dollars)				
Retail fuels	400.2	297.9	1,564.2	1,134.5
Commercial fuels	444.0	338.8	1,625.3	1,093.5
Supply & Wholesale	191.9	128.4	718.5	533.3
Fuel sales	1,036.1	765.1	3,908.0	2,761.3
Non-fuel commercial revenue	72.1	51.4	249.0	146.4
Other non-fuel revenue[1]	9.2	14.7	63.3	65.3
Total gross sales and operating revenue	1,117.4	831.2	4,220.3	2,973.0
Intersegment revenue	(103.1)	(6.6)	(239.8)	(81.8)
Total sales and operating revenue	1,014.3	824.6	3,980.5	2,891.2
Fuel gross profit (millions of Canadian dollars)				
Retail fuels	23.4	18.5	85.7	77.4
Commercial fuels	41.0	40.8	151.9	122.2
Supply & Wholesale[2]	11.5	5.5	71.0	16.8
Fuel inventory market valuation adjustment	(1.1)	1.0	(0.8)	2.2
Fuel gross profit	74.8	65.8	307.8	218.6
Cents per litre	6.82	6.71	7.40	6.26
Fuel gross profit	74.8	65.8	307.8	218.6
Non-fuel commercial gross profit	23.5	18.6	74.6	51.3
Other non-fuel gross profit[1]	4.8	10.9	26.0	46.3
Gross profit	103.1	95.3	408.4	316.2

(1) This category includes convenience store sales, variable rents, trucking and delivery charges to customers, lottery, vendor rebates and other.
(2) Included in this category is Parkland's share of refinery margin and modest profits from wholesale sales.

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ANNUAL AND SPECIAL MEETING

Tuesday, May 8th, 2012
9:00 a.m. (Mountain Time)
Black Knight Inn
2929 – 50 Avenue
Red Deer, Alberta T4R 1H1

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The Bank of Nova Scotia
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Suite 3950, Calgary, Alberta T2P 2W2

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STOCK EXCHANGE LISTING

Parkland Fuel Corporation common shares and debentures are listed on the Toronto Stock Exchange under the following symbols:
Common Shares: PKI
Debenture Series 1: PKI.DB
Debenture Series 2: PKI.DB.A

REGISTRAR AND TRANSFER AGENT

Valiant Trust Company
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Calgary, Alberta T2P 1T1

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Alain Ferland
Jim Pantelidis
Ron Rogers
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Robert B. Espey
President and Chief Executive Officer

Michael R. Lambert
Senior Vice President and Chief Financial Officer

Andrew S. Cruickshank
Vice President Finance

Robert J. Fink
General Counsel and Corporate Secretary

Dean Mackey
Senior Vice President, Human Resources and Administration

Mike McMillan
Vice President and Treasurer

Karen Putnam
Vice President Corporate Development

William Rouse
Vice President, Commercial Fuels East and Lubricants

Jane Savage
Vice President Wholesale and Supply

Donna Strating
Vice President, Administration and Chief Information Officer

Allan Willms
Vice President, Commercial Fuels West

WHOLLY OWNED SUBSIDIARIES OF PARKLAND FUEL CORPORATION

Parkland Industries Ltd.
1472490 Alberta Ltd.
United Petroleum Products Inc.
Columbia Fuels Ltd.
Parkland Refining Ltd.
Neufeld Petroleum & Propane Ltd.
Bluewave Energy Ltd.

ANNUAL REPORT DESIGN

TMX Equicom

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