Parkland Corporation

Consolidated Financial Statements

For the year ended December 31, 2022

Management's responsibility for the consolidated financial statements

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

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

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

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

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

(signed) "Robert B. Espey"

Robert B. Espey
President and Chief Executive Officer

(signed) "Marcel Teunissen"

Marcel Teunissen
Chief Financial Officer

March 2, 2023

Independent auditor's report

To the Shareholders of Parkland Corporation

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Parkland Corporation and its subsidiaries (together, the Company) as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated balance sheets as at December 31, 2022 and 2021;
- the consolidated statements of income (loss) for the years then ended;
- the consolidated statements of comprehensive income (loss) for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

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

Independence

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of Goodwill Refer to note 9 - Goodwill and note 2 - Summary of significant accounting policies, (s) Impairment of non-financial assets and (af) Significant accounting estimates, assumptions and judgments, to the December 31, 2022 consolidated financial statements. Goodwill is tested for impairment annually, or more frequently if events or circumstances indicate that the carrying value of goodwill may be impaired. Impairment is determined by assessing the recoverable amount of each cash generating unit ("CGU") group, as compared to each CGU group's carrying amount. When the carrying amount of a CGU group exceeds its recoverable amount, goodwill is considered impaired and is written down to its recoverable amount. The carrying value of goodwill, as at December 31, 2022, was $2,484 million. Management performed its annual impairment test for goodwill and no impairment was identified. Management determined the recoverable amount for each CGU group using a fair value less cost of disposal ("FVLCOD") approach. FVLCOD for each CGU group was calculated using the Company's adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA") forecast and implied earnings multiples. The Adjusted EBITDA forecast was determined by management based on past experience, actual operating results and the Board approved budget. The implied earnings multiples were determined with reference to average multiples of comparable public companies for the respective CGU group and consideration of recently completed transactions. We considered this a key audit matter due to (i) the significance of the goodwill balance and (ii) the significant judgement by management in determining the recoverable amount of each CGU group, including the use of significant assumptions in determining the Adjusted EBITDA forecasts and implied earnings multiples. This has resulted in a high degree of subjectivity and audit effort in performing audit procedures to test the significant assumptions. Professionals with specialized skill and knowledge in the field of valuation assisted us in performing our procedures.	Our approach to addressing the matter included the following procedures, among others: • Tested how management determined the recoverable amount of the goodwill, for each CGU group, which included the following: ◦ Tested the mathematical accuracy of the FVLCOD calculations provided by management. ◦ Evaluated the reasonableness of the Adjusted EBITDA forecast by comparing it to the current and past performance of the Company's CGU groups and evidence obtained in other areas of the audit. ◦ Involved professionals with specialized skill and knowledge in the field of valuation to assist in evaluating the appropriateness of the FVLCOD approach, assessing the reasonability of the implied earnings multiples based on comparative market data as well as the reasonability of the recoverable amount of each CGU group. ◦ Tested the underlying data used in the FVLCOD calculations.

Other information

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Courtney Kolla.

(Signed – PricewaterhouseCoopers LLP/s.r.l/s.e.n.c.r.l)
Chartered Professional Accountants

Calgary, Alberta
March 2, 2023

Parkland Corporation

Consolidated Balance Sheets

($ millions)	Note	**December 31, 2022**	December 31, 2021
Assets			
Current assets			
Cash and cash equivalents - Unrestricted		**653**	284
Cash and cash equivalents - Restricted		**63**	42
Accounts receivable	4	**1,872**	1,392
Inventories	2, 5	**1,745**	1,265
Income taxes receivable		**14**	7
Risk management and other financial assets	15	**39**	40
Prepaid expenses and other		**109**	97
Assets classified as held for sale	12	**79**	—
		4,574	3,127
Non-current assets			
Property, plant and equipment	6	**5,141**	4,429
Intangible assets	8	**1,355**	1,083
Goodwill	9	**2,484**	2,191
Investments in associates and joint ventures	11	**342**	319
Long-term receivables		**113**	75
Other long-term assets	13	**82**	130
Deferred tax assets	24	**197**	196
		14,288	11,550
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**2,806**	1,950
Dividends declared and payable		**57**	16
Income taxes payable		**22**	64
Long-term debt – current portion	14	**173**	124
Provisions and other liabilities – current portion	17	**139**	60
Risk management and other financial liabilities	2, 15	**69**	39
Liabilities associated with assets held for sale	12	**20**	—
		3,286	2,253
Non-current liabilities			
Long-term debt	14	**6,799**	5,432
Provisions and other liabilities	17	**752**	1,196
Deferred tax liabilities	24	**414**	337
		11,251	9,218
Shareholders' equity			
Shareholders' capital	18	**3,237**	2,586
Contributed surplus		**73**	59
Accumulated other comprehensive income (loss)		**(67)**	(39)
Sol Put Option reserve	15	**–**	(494)
Retained earnings (deficit)		**(206)**	(142)
Non-controlling interest ("NCI")	19	**–**	362
		3,037	2,332
		14,288	11,550

See accompanying notes to the consolidated financial statements.

Parkland Corporation

Consolidated Statements of Income (Loss)

For the years ended ($ millions, unless otherwise stated)	Note	**December 31, 2022**	December 31, 2021
Sales and operating revenue	26	**35,462**	21,468
Expenses			
Cost of purchases		**31,441**	18,512
Operating costs	21	**1,476**	1,109
Marketing, general and administrative	21	**553**	406
Acquisition, integration and other costs	20	**117**	52
Depreciation and amortization	6, 7, 8	**743**	616
Finance costs	22	**331**	323
Foreign exchange (gain) loss	15	**8**	(10)
Loss (gain) on risk management and other	15	**375**	124
Other (gains) and losses	2, 23	**23**	190
Share of (earnings) loss of associates and joint ventures	11	**(21)**	(16)
Earnings (loss) before income taxes		**416**	162
Current income tax expense (recovery)	24	**90**	43
Deferred income tax expense (recovery)	24	**(20)**	(7)
Net earnings (loss)		**346**	126
Net earnings (loss) attributable to:			
Parkland		**310**	97
NCI	19	**36**	29
Net earnings (loss) per share ($ per share)	3		
Basic		**1.94**	0.64
Diluted		**1.92**	0.64
Weighted average number of common shares (000's of shares)	3	**159,867**	151,451
Weighted average number of common shares adjusted for the effects of dilution (000's of shares)	3	**161,081**	152,470

See accompanying notes to the consolidated financial statements.

Parkland Corporation

Consolidated Statements of Comprehensive Income (Loss)

For the years ended ($ millions)	Note	**December 31, 2022**	December 31, 2021
Net earnings (loss)		**346**	126
Other comprehensive income (loss):			
Items that may be reclassified to consolidated statements of income (loss) in subsequent periods:			
Exchange differences on translation of foreign operations		**163**	(32)
Exchange differences on USD-denominated debt designated as a hedge of the net investment in foreign operations ("Net Investment Hedge"), net of tax	14	**(163)**	10
Changes in the fair value of cash flow hedges, net of tax		**5**	5
Hedging gains reclassified to the consolidated statements of comprehensive income (loss)		**(5)**	(3)
Items that will not be reclassified to consolidated statements of income (loss) in subsequent periods:			
Remeasurements on employee benefit plans		**1**	1
Other comprehensive income (loss)		**1**	(19)
Total comprehensive income (loss)		**347**	107
Total comprehensive income (loss) attributable to:			
Parkland		**282**	86
NCI	19	**65**	21

See accompanying notes to the consolidated financial statements.

Parkland Corporation

Consolidated Statements of Changes in Shareholders' Equity

($ millions)	Note	Shareholders' capital	Contributed surplus	Accumulated other comprehensive income (loss)	Sol Put Option reserve	Retained earnings (deficit)	NCI	Total shareholders' equity
As at January 1, 2022		**2,586**	**59**	**(39)**	**(494)**	**(142)**	**362**	**2,332**
Net earnings (loss)		**–**	**–**	**–**	**–**	**310**	**36**	**346**
Other comprehensive income (loss)		**–**	**–**	**(28)**	**–**	**–**	**29**	**1**
Dividends		**–**	**–**	**–**	**–**	**(207)**	**(35)**	**(242)**
Acquisition of non-controlling interest	19	**591**	**–**	**–**	**494**	**(154)**	**(392)**	**539**
Share incentive compensation		**–**	**25**	**–**	**–**	**–**	**–**	**25**
Shares issued on acquisitions	20	**26**	**–**	**–**	**–**	**–**	**–**	**26**
Issued under dividend reinvestment plan, net of costs	18	**45**	**–**	**–**	**–**	**–**	**–**	**45**
Issued under share option plan	18	**12**	**(1)**	**–**	**–**	**–**	**–**	**11**
Issued on vesting of performance share units	18	**4**	**(10)**	**–**	**–**	**–**	**–**	**(6)**
Shares repurchased through normal-course issuer bid	18	**(27)**	**–**	**–**	**–**	**(13)**	**–**	**(40)**
As at December 31, 2022		**3,237**	**73**	**(67)**	**–**	**(206)**	**–**	**3,037**
As at January 1, 2021		2,440	50	(28)	(494)	(49)	347	2,266
Net earnings (loss)		–	–	–	–	97	29	126
Other comprehensive income (loss)		–	–	(11)	–	–	(8)	(19)
Dividends		–	–	–	–	(190)	(6)	(196)
Shares issued on acquisitions	20	53	–	–	–	–	–	53
Share incentive compensation		–	22	–	–	–	–	22
Shares issued under the at-the-market ("ATM") equity program, net of costs	18	22	–	–	–	–	–	22
Issued under dividend reinvestment plan, net of costs	18	58	–	–	–	–	–	58
Issued under share option plan	18	8	(1)	–	–	–	–	7
Issued on vesting of performance share units	18	5	(12)	–	–	–	–	(7)
As at December 31, 2021		2,586	59	(39)	(494)	(142)	362	2,332

See accompanying notes to the consolidated financial statements.

Parkland Corporation

Consolidated Statements of Cash Flows

For the years ended ($ millions)	Note	**December 31, 2022**	December 31, 2021
Operating activities			
Net earnings (loss)		**346**	126
Adjustments for:			
Depreciation and amortization		**743**	616
Interest on leases and long-term debt	22	**295**	223
Share incentive compensation		**25**	27
Change in risk management and other		**34**	(5)
Change in other liabilities and other assets	2	**3**	11
Change in fair value of Redemption Options	23	**67**	86
Change in redemption value of Sol Put Option	15, 17, 23	**(30)**	87
Deferred income tax expense (recovery)	24	**(20)**	(7)
Share of net (earnings) loss of associates and joint ventures	11	**(21)**	(16)
Early redemption and modification premiums	22	**2**	67
Other operating activities		**21**	31
Net change in non-cash working capital related to operating activities	10	**(139)**	(342)
Cash generated from (used in) operating activities		**1,326**	904
Investing activities			
Acquisitions, net of cash acquired	20	**(729)**	(1,043)
Investment in joint venture and associates	11	**(3)**	(92)
Dividends received from investments in associates and joint ventures	11	**17**	14
Additions to property, plant and equipment and intangible assets	6, 8	**(503)**	(396)
Change in long-term receivables and other assets		**(28)**	(4)
Proceeds on asset disposals		**8**	14
Net change in non-cash working capital related to investing activities	10	**11**	(6)
Cash generated from (used in) investing activities		**(1,227)**	(1,513)
Financing activities			
Net proceeds from (repayments of) the Credit Facility	14	**973**	(49)
Long-term debt repayments, excluding the Credit Facility	14	**(40)**	(1,733)
Proceeds from long-term debt, net of financing costs, excluding the Credit Facility	14	**–**	3,183
Premiums on early redemptions and modifications	22	**(2)**	(67)
Interest paid on leases and long-term debt	22	**(293)**	(227)
Payments on principal amount on leases	7	**(177)**	(142)
Change in provisions and other liabilities	17	**–**	(194)
Dividends paid to shareholders, net of dividend reinvestment plan		**(121)**	(132)
Dividends paid to non-controlling interest	19	**(35)**	(6)
Shares repurchased through normal-course issuer bid	18	**(40)**	—
Shares issued for cash, net of share issuance costs	18	**11**	22
Cash generated from (used in) financing activities		**276**	655
Increase (decrease) in cash and cash equivalents		**375**	46
Impact of foreign currency translation on cash		**15**	(16)
Cash and cash equivalents at beginning of period		**326**	296
Cash and cash equivalents at end of period		**716**	326
Represented by:			
Cash and cash equivalents - Unrestricted		**653**	284
Cash and cash equivalents - Restricted		**63**	42
Cash and cash equivalents		**716**	326
Supplementary cash flow information:			
Income taxes refunded (paid)		**(138)**	35

See accompanying notes to the consolidated financial statements.

1. CORPORATE INFORMATION

Parkland Corporation ("Parkland") is a food and convenience retailer and an independent marketer, distributor and refiner of fuel and petroleum products. Parkland delivers refined fuels, propane and other high-quality petroleum products to motorists, businesses, consumers and wholesale customers across the Americas. Parkland exists under the Business Corporations Act (Alberta) in Canada and its corporate office is located at Suite 1800, 240 4 Ave SW, Calgary, Alberta, T2P 4H4, Canada. The consolidated financial statements include the results of Parkland and its subsidiaries together with its interest in investments in associates and joint arrangements as at December 31, 2022.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

Parkland's consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These consolidated financial statements were approved for issue by the Board of Directors on March 2, 2023.

(b) Basis of measurement

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

(c) Presentation and functional currency

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

(d) Changes in presentation

(Gain) loss on asset disposals, previously presented separately in the consolidated statements of income (loss), is now included within other (gains) and losses. The comparative-period information within the consolidated statements of income (loss) has been revised to conform to current year's presentation.

(e) Changes in segment and other information

The supply, wholesale and logistics businesses, formerly presented in the Supply segment, are now included in the Canada segment, reflecting a change in organizational structure for the year ended December 31, 2022, and following the change, the Supply segment has been renamed to "Refining" as it only includes the results of Parkland's refinery in Burnaby, British Columbia (the "Burnaby Refinery"). As a result of the changes in the organizational structure, the chief operating decision maker assesses performance, monitors results and allocates resources based on the reorganized segments.

With the growing renewable business activities undertaken by the Canada and Refining segments, Parkland has started reporting renewable and conventional sub-segment information for each of these segments for the year ended December 31, 2022.

To provide further clarity on Parkland's performance by line of business, Parkland has started disclosing additional information in the form of line of business reporting for the year ended December 31, 2022. Please refer to Note 26 for more details.

In addition, with the growing enterprise-wide administrative support costs in the Corporate segment, certain marketing, general and administrative costs, previously presented under the Corporate segment, have been allocated to the remaining segments to better align these costs to the relevant segments (see Note 26).

(f) Basis of consolidation

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

Non-controlling interest ("NCI") represents the portion of equity ownership in subsidiaries not attributable to Parkland shareholders. NCI is initially measured as the proportionate share of its interest in the acquiree's identifiable net assets as at the date of acquisition and subsequently adjusted for the proportionate share of net earnings (loss) and other comprehensive income (loss) attributable to the NCI, as well as any dividends or distributions paid to the NCI. Changes in the ownership interests in subsidiaries that do not result in loss of control of the subsidiary are equity transactions. When the proportion held by the NCI changes, the carrying amount of the NCI is adjusted to reflect such change. Any difference between the amount by which the NCI is adjusted and the fair value of the consideration paid or received is recognized in retained earnings (deficit).

(g) Business combinations and goodwill

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

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

The fair values of customer relationships and trade names acquired in a business combination are determined using an income approach. The fair values of franchise agreements and other intangible assets, such as customer relationships, are determined using an income approach or multi-period excess earnings approach. These methods are based on the discounted cash flows expected to be derived from ownership of the assets. The present value of the cash flows represents the value of the intangible asset.

The fair values of lease liabilities acquired in a business combination where Parkland is a lessee are determined at the present value of the remaining lease payments as if the acquired lease were a new lease at the acquisition date. Parkland measures the right-of-use asset for such leases at the same amount as the lease liability, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms. For short-term and low value off-market leases, a separate asset or liability is recognized based on the present value of the difference between market rates and rates in the existing leases.

Parkland classifies lease contracts acquired in a business combination where it is a lessor as operating or finance leases on the basis of the contractual terms. For finance leases, the fair value of net investment in the lease is determined using the contractual aggregate lease payments and market participant assumptions on the discount rates. For off-market operating leases acquired in a business combination, Parkland does not recognize separate assets or liabilities associated with favourable or unfavourable terms, but instead includes them in the value of the underlying assets acquired.

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

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

(h) Foreign currency translation

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

On consolidation, the financial statements of foreign operations are translated into Canadian dollars. The assets and liabilities of foreign operations are translated into Canadian dollars at the exchange rate prevailing at the consolidated balance sheet date. Revenue and expenses of foreign operations are translated into Canadian dollars at the exchange rates that approximate those on the dates of the transactions. Foreign exchange differences arising on translation for consolidation are recognized in other comprehensive income (loss). The results and financial position of subsidiaries with the functional currencies of hyperinflationary economies, after being restated for the effects of inflation, are translated into Canadian dollars at the exchange rate prevailing at the consolidated balance sheet date.

(i) Joint arrangements

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

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

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

(j) Investments in associates

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

(k) Operating segments

An operating segment is a component of Parkland for which discrete financial information is available and whose operating results are regularly reviewed by Parkland's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of Parkland's other operations. Parkland makes adjustments and eliminations in preparing the financial statements and allocates revenues, expenses, and gains and losses in determining the reported segment performance measures, only if they are included in the performance measures used by the chief operating decision maker.

(l) Cash, cash equivalents and restricted cash

Cash and cash equivalents consist primarily of cash on hand, deposits held with banks and other highly liquid investments. Restricted cash includes cash held in margin accounts and cash that is pledged as collateral or guarantees for certain of Parkland's projects, obligations, and agreements.

(m) Inventories

Inventories are valued at the lower of cost and net realizable value on a weighted average cost basis or first-in, first-out basis. The cost of inventories includes the cost of purchase net of vendor rebates and discounts and other costs directly incurred to bring each product to its present location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale. If the carrying amount exceeds the net realizable value, a write-down is recognized.

(n) Emission credits and allowances

Emission credits and allowances purchased, or internally generated for use by Parkland are recorded at cost and are carried at the lower of cost and net realizable value in inventories. Credits granted to Parkland are recorded at nominal value.

Emission credits and allowances that are held for trading are carried within inventories and are valued at fair value less costs to sell. The cost to sell is usually nominal and is not factored into the valuation. Realized and unrealized gains and losses from the emission credits and allowances held for trading are included in net earnings (loss) within gain (loss) on risk management and other. Forward or option agreements to purchase or sell emission credits and allowances that meet the definition of a derivative are accounted for using the fair value method of accounting within risk management and other. Realized and unrealized gains and losses from those instruments are included in net earnings (loss) within gain (loss) on risk management and other.

Emission liabilities are recorded in the period in which the emissions occur using the best estimate of the amount required by Parkland to settle its obligation based on the carrying amount of emissions credits and allowances held on hand and the expected market price of the additional credits and allowances required to cover the shortfall in meeting the obligation. Offsetting of the emission credits and allowances against the respective liabilities occurs at the end of the compliance period, when the credits and allowances are used to settle the liabilities.

(o) Cost of purchases

Cost of purchases consists primarily of costs to purchase fuel and petroleum products as well as non-fuel products. In addition, transportation costs, excise taxes, emission credits and allowances, and miscellaneous materials are included.

(p) Property, plant and equipment

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

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

Land is recorded at cost, less any accumulated impairment.

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

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

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

(q) Leases

Parkland holds various leases for assets such as land, buildings, shipping vessels, railcars, vehicles, tanks and others to support the operations of the business.

Parkland as a lessee

Parkland distinguishes between leases and service contracts based on whether it controls the use of an identified asset (right-of-use asset). Control is considered to exist if Parkland has the right to obtain substantially all of the economic benefits from the use of an identified asset and the right to direct the use of that asset.

Lease liabilities and right-of-use assets are recognized on the consolidated balance sheets when the leased assets are available for use by Parkland and measured on a present value basis.

Lease liabilities are measured at the net present value of the fixed or in-substance fixed payments, variable lease payments based on the index or a rate, amounts expected to be paid by the lessee under the residual value guarantees over the remaining lease term, as well as any purchase or extension option if Parkland is reasonably certain to exercise the options, or termination penalties that are expected to be incurred, less any incentives receivable discounted using Parkland's incremental borrowing rate. The right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments, initial direct costs, restoration costs, and lease incentives.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. The lease term is adjusted to reflect the impact of termination penalties and extension options only when those are within the control of Parkland and the probability of their exercise is reasonably certain.

Parkland uses a single discount rate for a portfolio of leases with reasonably similar characteristics.

Right-of-use assets are subsequently measured at cost, net of accumulated depreciation and impairment losses. Parkland recognizes depreciation on the right-of-use assets within depreciation.

Lease liabilities are subsequently measured at amortized cost using the effective interest rate method. The interest expense on the lease liability is recorded within finance costs on the consolidated statements of income (loss) over the lease period so as to produce a constant periodic interest rate on the remaining balance of the liability for each period.

Lease liabilities are remeasured in cases of lease modification, reassessments or revisions to the in-substance fixed lease payments. Lease modifications are assessed as to whether the modification would count as a separate lease (i.e., if it increases the scope of the lease or the consideration increases by an amount that would reflect the fair value of the new lease) or if it would be accounted for purely as a modification. If it is accounted for as a modification, Parkland will allocate the consideration in the modified contract, determine the lease term, and remeasure the lease liability and right-of-use asset by using the revised lease payments and a revised discount rate. Remeasured lease liabilities get adjusted against the right-of-use assets or recorded in the consolidated statements of income (loss) in cases when the values of the respective right-of-use assets are zero.

A sale and leaseback transaction involves the transfer of an asset from the seller-lessee to the buyer-lessor and the leaseback of the same asset by the seller-lessee. A sale and leaseback qualifies as a sale if the buyer-lessor obtains control of the underlying asset. If the transfer of the asset is a sale, the sale transaction is accounted for in accordance with revenue recognition policy. Right-of-use asset arising from the leaseback is measured at the proportion of the previous carrying amount of the asset that relates to the right-of-use retained and any gain or loss recognized is limited to the proportion that relates to the rights transferred. Lease liability is measured in the same way as in the regular lease. If the transfer of the asset is not a sale, the transferred asset is not derecognized, and consideration received is accounted for as financial liability measured at amortized cost.

Short-term leases and leases of low-value assets for certain classes of assets are recognized on a straight-line basis within operating costs or marketing, general and administrative expenses, depending on the nature of the business activities to which the leases relate. Short-term leases are those with a lease term of twelve months or less. Low-value assets consist mostly of small IT equipment and office furniture items.

Parkland as a lessor

Leases in which Parkland transfers substantially all the risks and rewards of ownership of an asset are classified as finance leases while leases that do not meet this criteria are classified as operating leases.

Under a finance lease, Parkland recognizes a receivable at an amount equal to the net investment in the lease, which is the present value of aggregate lease payments receivable by the lessor discounted at the interest rate implicit in the lease. Under an operating lease, Parkland recognizes lease payments received as revenue on a straight-line basis over the lease term in the consolidated statements of income (loss).

(r) Intangible assets

Intangible assets are recognized when Parkland has control of an intangible asset, expects future economic benefits from the intangible asset, and can reliably measure the cost of the intangible asset. Intangible assets are carried at historical cost, net of accumulated amortization and accumulated impairment losses, if any. Historical cost includes expenditures directly attributable to the acquisition of assets, which may include internally incurred costs, such as labour. Costs are only capitalized if a project is in the development stage. All costs related to research activities are recognized as an expense. The cost of an intangible asset acquired in a business combination is its fair value at the acquisition date.

Intangible assets with finite lives are amortized over their respective useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization expense on intangible assets is recognized in the consolidated statements of income (loss) within depreciation and amortization.

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

Customer relationships	3 to 20 years
Trade names	5 to 30 years
Other agreements	2 to 15 years
Software systems	1 to 10 years

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

(s) Impairment of non-financial assets

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

The recoverable amount is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Corporate assets are tested for impairment at the minimum grouping of CGUs to which they can be reasonably and consistently allocated. When the carrying amount of an asset, CGU or CGU group exceeds its recoverable amount, it is considered impaired and written down to its recoverable amount.

Parkland applies a two-step impairment test process for non-financial assets, including goodwill, that are allocated to CGU groups. The first step under this process is to test individual CGUs within the group for impairment and write down the individual CGUs' carrying amounts to their respective recoverable amounts, where an impairment exists. The second step is to test the CGU groups using the restated carrying amounts of the individual CGUs from the first step along with the allocated goodwill or other non-financial assets to that CGU group to identify if there is an impairment for that CGU group. An impairment loss is allocated to first reduce the carrying amount of any goodwill allocated to the CGU or CGU groups and then to reduce the carrying amounts of other assets.

Impairment losses, excluding goodwill impairments, are assessed at each reporting date for any indicators the impairment losses may no longer exist. If such an indication is present, the carrying amount of the CGU or non-financial asset is increased to its revised recoverable amount, which cannot exceed the carrying amount determined, net of depreciation and amortization, had no impairment been recognized. Impairment losses, if any, are recognized in the consolidated statements of income (loss).

(t) Provisions

Provisions are recognized when Parkland has a present legal or constructive obligation due to past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Insurance proceeds receivable are recognized as an income or a reduction of the costs they relate to when it becomes virtually certain they will be received.

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

Restructuring provisions are recognized primarily in respect of employee termination benefits, or recognized when a detailed plan for the restructuring exists and a valid expectation has been raised to those affected that the plan will be carried out.

(u) Income taxes

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

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

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

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

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

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

(v) Share-based payments

Parkland's share-based payments consist of share options, performance share units ("PSUs"), restricted share units ("RSUs") and deferred share units ("DSUs"). The share-based payment expense is included in marketing, general and administrative and operating expenses. Change in the fair value of DSU liabilities is recognized as other cost within acquisition, integration and other costs.

Share options

Parkland has equity-settled share option plans granted annually for certain officers and employees. Share options vest by a third each year at the grant anniversary and expire after eight years. The fair value of options at the date of grant is calculated using the Black-Scholes option pricing model and is recognized as an expense over the vesting period of the options, with the corresponding increase to contributed surplus. Forfeitures are estimated and accounted for at the grant date and adjusted, if necessary, in subsequent periods. When options are exercised, the proceeds, together with the amount recorded in contributed surplus, are transferred to shareholders' capital.

Share unit plan

Parkland has equity-settled PSU and RSU plans granted annually to certain officers and employees. Share units are awarded at no cost to the recipient and cliff vest over a three-year performance period. For PSUs, vesting level is subject to performance condition achievement, such as total shareholder return performance and return on invested capital relative to Parkland's peer group, and can range from 0% to 200%. RSUs do not have a performance condition that would impact vesting level. Share units are paid out in common shares. Additional share units are granted upon each dividend payment made by Parkland.

The fair market value of the award is based on the volume-weighted average trading price for Parkland's common shares for five days preceding the date of the grant and expected performance condition payout (for PSUs only). Share unit expense is recognized over the vesting period with a related credit to contributed surplus.

Deferred share units

Parkland has a cash-settled DSU plan for non-executive members of the Board of Directors. DSUs vest immediately on the grant date and can be redeemed for cash after the non-executive member ceases to a be member of the Board of Directors.

DSU liability is measured based on the volume-weighted average trading price for Parkland's common shares on the exchange for five days preceding the date of the measurement. The cost of the DSUs including deemed dividend equivalents and the changes in the fair value of the outstanding DSU liability are recorded as an expense in the consolidated statements of income (loss).

(w) Shareholders' capital

Ordinary shares issued are accounted for as an increase in shareholders' capital equal to the fair value of consideration received net of incremental costs directly attributable to the issuance. Issuance costs are recognized net of associated income tax benefit.

Own shares reacquired are recognized at cost and deducted from shareholders' capital. No gain or loss is recognized on the purchase, sale, issue or cancellation of own equity instruments. Any difference between the carrying amount of share capital reduced for own shares acquired and the consideration paid is recognized in retained earnings (deficit).

(x) Financial instruments

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

Financial assets and liabilities are classified and measured based on Parkland's business model for managing its assets and the contractual terms of the cash flows. Financial assets that meet the following conditions are subsequently measured at amortized cost: (i) assets held for the collection of contractual cash flows; and (ii) contractual cash flows that consist solely of principal and interest payments on the principal amount outstanding. All other financial assets are subsequently measured at FVTPL. Financial liabilities are classified as FVTPL when held for trading. All other financial liabilities are subsequently measured at amortized cost. Parkland classifies its financial instruments according to IFRS 9 - Financial Instruments ("IFRS 9") into one of the following categories:

Classification	Financial instrument
Financial instruments at FVTPL	Risk management and other assets and liabilities
	Redemption options
	Sol Put Option
	Other investments
Financial instruments measured at amortized cost	Cash and cash equivalents
	Restricted cash
	Accounts receivable
	Long-term receivables
	Accounts payable and accrued liabilities
	Dividends declared and payable
	Long-term debt
	Certain other liabilities

Financial instruments at FVTPL

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

Certain physical commodity contracts, when used for trading purposes, are deemed to be derivative financial instruments for accounting purposes. Physical commodity contracts entered into for the purpose of receipt or delivery in accordance with Parkland's expected purchase, sale or usage requirements are not considered to be derivative financial instruments. Derivatives (see Note 15) and risk management and other are financial instruments measured at FVTPL.

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

Derivative instruments embedded in financial or non-financial contracts are liabilities that are accounted for as separate derivatives if their risks and characteristics are not closely related to their host contracts, and the contracts are not measured at fair value. Parkland's Senior Notes contain Redemption Options (see Note 15) that are accounted for as embedded derivative financial instruments. Changes in the fair values of the Redemption Options are recognized in other (gains) and losses within the consolidated statements of income (loss). Changes in the fair values of other derivative instruments are recognized in (gain) loss on risk management and other.

The Sol Put Option represents a non-derivative financial liability, which was remeasured each reporting period with changes in redemption value of the option recorded within other (gains) and losses on the consolidated statements of income (loss).

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

Financial instruments measured at amortized cost

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

Financial liabilities measured at amortized cost are initially recognized at fair value net of transaction costs, and are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate method. The effective interest rate amortization and gains or losses on derecognition of the financial liabilities are recognized in finance costs.

Impairment of financial assets

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

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

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, Parkland compares the risk of a default occurring on the financial instrument as at the reporting date, with the risk of a default occurring as at the date of initial recognition.

In making this assessment, Parkland considers both qualitative and quantitative information that is reasonable and supportable, including historical experience and forward-looking information, relevant industry-specific economic outlooks, and external sources of actual and forecasted economic factors related to Parkland's core operations, such as fuel commodity prices, unemployment rates and interest rates.

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

Offsetting of financial instruments

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

Derecognition

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

(y) Hedges

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

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

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

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

(z) Fair value measurement

Parkland's financial assets and liabilities measured at FVTPL are categorized into a three-level hierarchy depending on the degree to which the inputs are observable as follows:

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

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

- fair values of the outstanding heating oil, gasoline and refined products put and call option contracts are determined using external counterparty information, which is compared to observable data;
- fair values of commodities forward contracts, futures contracts, emission credits and allowances forward and option contracts, and currency forward exchange contracts are determined using independent price publications, third-party pricing services, market exchanges and investment dealer quotes;
- fair values of the Redemption Options are determined using a valuation model based on inputs from observable market data, including independent price publications, third-party pricing services, and market exchanges.

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

(aa) Revenue recognition

Fuel and petroleum product revenue

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

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

Certain fuel contracts have specified annual volumes that customers must purchase over the contract duration. Contractual minimums are not enforceable and customers may purchase less than the contractual minimum with no penalties. In such cases, contracts are viewed as having options to purchase rather than fixed volume sales requirements, and each delivery of product is considered as separate performance obligation.

Food, Convenience and other non-fuel revenue

Food and Convenience store

Parkland operates in food and convenience stores with revenue from sales of confectionery, groceries, food, beverages and other convenience store products. In the case of company-owned stores, revenue is recognized when a retail customer purchases an item at the convenience store or through the online ordering platform, control of the goods is transferred, and a payment for the transaction occurs immediately at the point of sale. Royalties and license fees include those charged to the operators under the franchise and express store agreements. Royalty and license fee revenue is recognized as it is earned in line with the relevant agreement, which is generally based on the percentage of occurred sales.

Lubricants

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

Other non-fuel revenue

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

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

Loyalty programs

Customer loyalty awards are accounted for as a separate performance obligation in the sales transactions in which they are granted. Parkland defers revenue at the time the award is earned by members at an amount equal to the relative fair value of the award and the expected redemption rate, which is regularly remeasured. The relative fair value is determined by allocating consideration between the fair value of the loyalty awards earned by loyalty program members, net of breakage, and the goods and services on which the awards were earned, based on their relative stand-alone selling price. The deferred revenue is recognized as revenue when the points are redeemed.

(ab) Earnings per share

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

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

(ac) Assets held for sale

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

(ad) Government grants

Grants from the government are recognized at their fair value where there is reasonable assurance that the grant will be received and Parkland will meet the attached conditions. When the grant relates to an expense item, Parkland recognizes it as income over the period necessary to match the grant with the costs that it is intended to compensate. Parkland presents such grants in the consolidated statements of income (loss) as a deduction in reporting the related expense. The presentation approach is applied consistently to all similar grants.

(ae) Hyperinflation accounting

If the functional currency of a foreign subsidiary of Parkland is considered to be hyperinflationary, hyperinflation accounting is applied. The application of hyperinflation accounting requires restatement of non-monetary assets and liabilities, shareholders' equity, items in the statement of comprehensive income (loss), and the adjustment of index-linked items to reflect the impact of inflation in the financial statements of the subsidiary before being included in the consolidated financial statements of Parkland. Monetary assets and liabilities are not restated, as these items are already expressed in a monetary unit representing current purchasing power at the end of the reporting period.

The gain (loss) on net monetary position arising from hyperinflation is included in the consolidated statements of income (loss) from the beginning of the reporting period. Parkland's consolidated financial statements for the comparative periods are not restated for the effects of hyperinflation. On adoption, the differences between the restated comparative balances and opening balances of the subsidiary for the effects of hyperinflation are recognized within other comprehensive income (loss).

(af) Significant accounting estimates, assumptions and judgments

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

Asset retirement and other obligations

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

Contingencies and legal matters

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

Business combinations

Parkland uses judgment in applying the acquisition method of accounting for business combinations and estimates to value identifiable assets and liabilities as at the acquisition date. Estimates are used to determine cash flow projections, including the period of future benefit, and future growth and discount rates, among other factors. The values placed on the acquired assets and liabilities assumed affect the amount of goodwill recorded on an acquisition.

Asset impairment

Asset impairment tests require the allocation of assets to CGUs or CGU groups, which requires significant judgment and interpretation with respect to the integration between assets, the existence of active markets, similar exposure to market risks, shared resources and assets, and the way in which management monitors the operations.

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

Asset impairment tests require the estimation of the recoverable amount of the non-financial asset or the CGU group, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on an earnings multiple approach, available data from binding sales transactions conducted at arm's length for similar assets, valuation appraisals, or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. Parkland references Adjusted EBITDA[1] forecasts and implied earnings multiples and appropriate discount rates for the recoverable amount calculations. The forecasts do not include restructuring activities that Parkland is not yet committed to, or significant future investments that will enhance the performance of the asset or CGU being tested. The implied multiples are determined by utilizing multiples of comparable public companies and recently completed transactions by operating segment. The recoverable amount is sensitive to Adjusted EBITDA forecasts, implied earnings multiples, the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for cash flow forecasts. These estimates are most relevant to goodwill, property, plant and equipment, and intangible assets recognized by Parkland.

[1] Consistent with the Adjusted EBITDA measure calculation as per Note 26.

Depreciation and amortization

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

Fair value of financial instruments

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

Income taxes

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

Judgments and estimates made in assessing the impact of climate change

Parkland considers the impacts of climate change, including transition to a low-carbon economy, in the preparation of its consolidated financial statements. The impacts could be significant as they could result in lower future demand for refined products, significant change in the regulations or increase in catastrophic events. Climate change factors are considered by Parkland in making significant accounting judgments and assumptions including (i) preparation of management forecasts used in testing assets for impairment, (ii) determination of useful lives for calculation of depreciation and amortization, (iii) determination of net realizable value of inventories, and (iv) calculations and asset retirement obligations (estimated timing and costs of future decommissioning). As at December 31, 2022, climate change has no material impact on these judgments and assumptions.

(ag) Amended standards adopted by Parkland

Parkland has adopted the following accounting amendments that are effective for annual periods starting January 1, 2022. These standards are adopted prospectively, and the adoption of these standards does not have a material impact on the consolidated financial statements.

- Amendments to IFRS 3 - Business Combinations updated a reference in IFRS 3 to now refer to the Conceptual Framework, which clarifies that an acquirer should not recognize contingent assets at the acquisition date.
- Amendments to IAS 16 - Property, Plant and Equipment prohibited reducing the cost of property, plant and equipment by proceeds from sale of test production while bringing an asset into the location and condition necessary for it to be capable of operating in the manner intended by management.
- Amendments to IAS 37 - Provisions, Contingent Liabilities and Contingent Assets specified what costs an entity should include in determining the "cost of fulfilling" a potential onerous contract.
- Amendments to IFRS 9 - Financial Instruments addressed which fees should be included in the test for derecognition of financial liabilities.

(ah) Recently announced accounting pronouncements

The standards, amendments and interpretations that are issued, but not yet effective up to the date of authorization of the consolidated financial statements and that may have an impact on the disclosures and financial position of the company are disclosed below. Parkland intends to adopt these standards, amendments and interpretations when they become effective.

Amendments to IAS 12 and IFRS 1 – Deferred taxes related to assets and liabilities arising from a single transaction

In May 2021, the IASB issued amendments to IAS 12 - Income Taxes, which requires companies to recognize deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and are to be applied retrospectively. Parkland does not expect a material impact from these amendments on the consolidated financial statements as a result of the initial application.

Amendments to IAS 1 - Classification of liabilities as current or non-current

In January 2020, the IASB issued amendments to IAS 1 - Presentation of Financial Statements, to clarify that liabilities are classified as either current or non-current, depending on the existence of the substantive right at the end of the reporting period for an entity to defer settlement of the liability for at least twelve months after the reporting period. The IASB made additional clarifications to IAS 1 in October 2022 addressing the classification of debt with covenants. Only covenants that a company is obliged to comply with on or before the reporting date affect the classification of a liability as current or non-current. Further, disclosure is required for any information that enables users of financial statements to comprehend the possibility that non-current liabilities with covenants may become payable within twelve months. The amendments to IAS 1 are effective January 2024, with early adoption permissible. The amendments are required to be adopted retrospectively. Parkland does not expect a material impact from these amendments as a result of the initial application.

Amendments to IAS 1 and IAS 8 - Accounting policies and accounting estimates

In February 2021, narrow scope amendments were introduced to IAS 1 - Presentation of Financial Statements and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors to improve accounting policy disclosures and to distinguish changes in accounting estimates from changes in accounting policies. The amendments are effective January 1, 2023. Parkland does not expect a material impact from these amendments on the consolidated financial statements as a result of the application.

Amendments to IFRS 16 - Lease liability in a sale and leaseback

In September 2022, the IASB issued amendments to IFRS 16 - Leases on sale and leaseback transactions that specify the requirement that a seller-lessee uses in its subsequent measurement of the lease liability in a sale and leaseback transaction to ensure the seller-lessee does not recognize any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual reporting periods beginning on or after January 1, 2024 with early adoption permitted. The amendments are to be applied retrospectively. Parkland does not anticipate a material impact from these amendments on the consolidated financial statements as a result of the initial application.

3. NET EARNINGS (LOSS) PER SHARE

For the years ended	**December 31, 2022**	December 31, 2021
Net earnings (loss) attributable to Parkland	**310**	97
Weighted average number of common shares (000's of shares)	**159,867**	151,451
Effect of dilutive securities (000's of shares)	**1,214**	1,019
Weighted average number of common shares adjusted for the effects of dilution (000's of shares)	**161,081**	152,470
Net earnings (loss) per share ($ per share)		
Basic	**1.94**	0.64
Diluted	**1.92**	0.64

4. ACCOUNTS RECEIVABLE

	December 31, 2022	December 31, 2021
Trade accounts receivable	**1,604**	1,130
Miscellaneous, government, and other non-trade accounts receivable	**303**	287
Allowance for doubtful accounts	**(35)**	(25)
	1,872	1,392

Refer to Note 15 for details on Parkland's exposure to credit and market risks as well as impairment losses for accounts receivable.

($ millions, unless otherwise stated)

5. INVENTORIES

	December 31, 2022	December 31, 2021
Gas and diesel	**774**	498
Liquid petroleum gas	**59**	62
Other fuel and petroleum products	**293**	285
Lubricants	**108**	81
Food and convenience store inventory	**30**	36
Emission credits and allowances held for trading	**118**	64
Own-use emission credits and allowances	**264**	154
Other non-fuel products	**99**	85
	1,745	1,265

Other fuel and petroleum products include crude oil, aviation fuel, asphalt, fuel oils, gas oils, ethanol, and biodiesel. Other non-fuel products include catalyst and warehouse inventories. For the year ended December 31, 2022, $31,587 (2021 - $18,484) of inventories was recognized within cost of purchases.

6. PROPERTY, PLANT AND EQUIPMENT

	Note	**Land**	**Land improvements**	**Buildings and structures**	**Plant and equipment**	**Assets under construction**	**Right-of-use assets**	**Total**
Cost								
As at January 1, 2022		**1,171**	**168**	**771**	**2,940**	**318**	**887**	**6,255**
Additions and transfers		**14**	**6**	**29**	**318**	**79**	**231**	**677**
2022 Acquisitions	20	**183**	**3**	**27**	**178**	**11**	**114**	**516**
Change in ARO costs		**(1)**	**–**	**(3)**	**41**	**–**	**–**	**37**
Disposals and other adjustments	12	**(24)**	**(1)**	**(5)**	**(57)**	**(11)**	**(105)**	**(203)**
Exchange differences and others		**38**	**5**	**31**	**52**	**7**	**38**	**171**
As at December 31, 2022		**1,381**	**181**	**850**	**3,472**	**404**	**1,165**	**7,453**
Depreciation								
As at January 1, 2022		**–**	**69**	**214**	**1,263**	**–**	**280**	**1,826**
Depreciation		**–**	**9**	**55**	**311**	**–**	**177**	**552**
Disposals and other adjustments	12	**–**	**–**	**(5)**	**(26)**	**–**	**(73)**	**(104)**
Exchange differences and other adjustments		**–**	**2**	**4**	**17**	**–**	**15**	**38**
As at December 31, 2022		**–**	**80**	**268**	**1,565**	**–**	**399**	**2,312**
Net book value								
As at December 31, 2022		**1,381**	**101**	**582**	**1,907**	**404**	**766**	**5,141**

($ millions, unless otherwise stated)

	Note	Land	Land improvements	Buildings and structures	Plant and equipment	Assets under construction	Right-of-use assets	Total
Cost								
As at January 1, 2021		984	135	601	2,634	257	694	5,305
Additions and transfers		5	18	54	228	61	192	558
2021 Acquisitions	20	229	21	140	142	—	131	663
Change in ARO costs		(3)	—	(3)	15	—	—	9
Disposals and other adjustments		(38)	(6)	(18)	(71)	—	(126)	(259)
Exchange differences and others		(6)	—	(3)	(8)	—	(4)	(21)
As at December 31, 2021		1,171	168	771	2,940	318	887	6,255
Depreciation								
As at January 1, 2021		—	55	175	1,032	—	237	1,499
Depreciation		—	9	48	279	—	147	483
Disposals and other adjustments		—	5	(9)	(46)	—	(104)	(154)
Exchange differences and other adjustments		—	—	—	(2)	—	—	(2)
As at December 31, 2021		—	69	214	1,263	—	280	1,826
Net book value								
As at December 31, 2021		1,171	99	557	1,677	318	607	4,429

7. LEASES

(a) Parkland as a lessee

The right-of-use assets carried as property, plant and equipment resulting from leases are presented below:

Right-of-use assets	Note	Land, buildings and structures	Shipping vessels	Railcars	Plant and equipment	Total
Cost						
As at January 1, 2022		**582**	**133**	**71**	**101**	**887**
Additions		**88**	**63**	**20**	**60**	**231**
2022 Acquisitions and others	20	**103**	**–**	**–**	**11**	**114**
Disposals and other adjustments		**(12)**	**(25)**	**(29)**	**(39)**	**(105)**
Exchange differences and others		**18**	**11**	**4**	**5**	**38**
As at December 31, 2022		**779**	**182**	**66**	**138**	**1,165**
Depreciation						
As at January 1, 2022		**131**	**62**	**46**	**41**	**280**
Depreciation		**76**	**56**	**16**	**29**	**177**
Disposals and other adjustments		**(10)**	**(20)**	**(25)**	**(18)**	**(73)**
Exchange differences and others		**4**	**6**	**2**	**3**	**15**
As at December 31, 2022		**201**	**104**	**39**	**55**	**399**
Net book value						
As at December 31, 2022		**578**	**78**	**27**	**83**	**766**

($ millions, unless otherwise stated)

Right-of-use assets	Note	Land, buildings and structures	Shipping vessels	Railcars	Plant and equipment	Total
Cost						
As at January 1, 2021		400	139	77	78	694
Additions		97	60	5	30	192
2021 Acquisitions	20	129	—	2	—	131
Disposals and other adjustments		(42)	(65)	(12)	(7)	(126)
Exchange differences and others		(2)	(1)	(1)	—	(4)
As at December 31, 2021		582	133	71	101	887
Depreciation						
As at January 1, 2021		99	77	38	23	237
Depreciation		56	49	20	22	147
Disposals and other adjustments		(24)	(64)	(12)	(4)	(104)
As at December 31, 2021		131	62	46	41	280
Net book value						
As at December 31, 2021		451	71	25	60	607

(b) Amounts recognized in the consolidated statements of income (loss)

For the years ended		**December 31, 2022**	December 31, 2021
Depreciation charge on right-of-use assets		**177**	147
Interest expense on lease liabilities	22	**38**	29
Other lease expenses[1]		**81**	69
		296	245

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

8. INTANGIBLE ASSETS

	Note	Customer relationships	Trade names	Other agreements	Software systems	Assets under construction	Total
Cost							
As at January 1, 2022		**1,035**	**343**	**243**	**103**	**44**	**1,768**
Additions and transfers		**3**	**–**	**–**	**36**	**18**	**57**
2022 Acquisitions	20	**105**	**105**	**152**	**4**	**–**	**366**
Disposals and other adjustments		**–**	**(1)**	**1**	**–**	**1**	**1**
Exchange differences and others		**38**	**8**	**12**	**2**	**–**	**60**
As at December 31, 2022		**1,181**	**455**	**408**	**145**	**63**	**2,252**
Amortization							
As at January 1, 2022		**459**	**103**	**68**	**55**	**–**	**685**
Amortization		**96**	**32**	**48**	**15**	**–**	**191**
Disposals and other adjustments		**1**	**–**	**(1)**	**–**	**–**	**–**
Exchange differences and others		**14**	**3**	**4**	**–**	**–**	**21**
As at December 31, 2022		**570**	**138**	**119**	**70**	**–**	**897**
Net book value							
As at December 31, 2022		**611**	**317**	**289**	**75**	**63**	**1,355**

($ millions, unless otherwise stated)

	Note	Customer relationships	Trade names	Other agreements	Software systems	Assets under construction	Total
Cost							
As at January 1, 2021		947	329	119	101	18	1,514
Additions and transfers		3	(8)	5	4	26	30
2021 Acquisitions	20	104	24	123	—	—	251
Disposals and other adjustments		(14)	(1)	(3)	(2)	—	(20)
Exchange differences and others		(5)	(1)	(1)	—	—	(7)
As at December 31, 2021		1,035	343	243	103	44	1,768
Disposals and other adjustments							
As at January 1, 2021		382	76	58	49	—	565
Amortization		82	30	13	8	—	133
Disposals and other adjustments		(4)	(1)	(3)	(2)	—	(10)
Exchange differences and others		(1)	(2)	—	—	—	(3)
As at December 31, 2021		459	103	68	55	—	685
Net book value							
As at December 31, 2021		576	240	175	48	44	1,083

9. GOODWILL

	Note	**December 31, 2022**	December 31, 2021
Goodwill, beginning of year		**2,191**	1,864
Acquisitions	20	**219**	335
Exchange differences and others		**74**	(8)
Goodwill, end of year		**2,484**	2,191

During the first quarter of 2022, Parkland changed its reporting segments as disclosed in Note 2(e) to reflect the changes in organizational structure used for monitoring of results and allocation of resources to each segment. Parkland performed its annual impairment test for goodwill, based on the new reporting segments representing a CGU group, and no impairment was identified. The recoverable amount for each CGU group was determined on a fair value less costs of disposal ("FVLCOD") approach. Goodwill was allocated to CGU groups as follows:

	December 31, 2022	December 31, 2021[1]
Refining	**105**	105
Canada	**1,252**	1,063
International	**575**	508
USA	**552**	515
	2,484	2,191

[1] The comparative information has been restated to reflect the change in segments.

Parkland calculated recoverable amounts for its CGU groups for the purpose of the annual impairment test of goodwill using the FVLCOD approach. FVLCOD is calculated for each CGU group using Parkland's Adjusted EBITDA forecast for the year ending December 31, 2023, adjusted for allocation of corporate and other costs, implied earnings multiples and estimated costs of disposal. The Adjusted EBITDA forecast for the year ending December 31, 2023 is consistent with Parkland's 2023 guidance, which was determined based on past experience, actual operating results and the 2023 Board approved budget. The implied earnings multiples are determined with reference to average multiples of comparable public companies for the respective CGU group and consideration of recently completed transactions, as required.

($ millions, unless otherwise stated)

Parkland used implied forward average earnings multiples ranging from 6 to 10 for the 2022 impairment test (2021 - 7 to 9). The estimated costs of disposal were 1.5% (2021 - 1.5%) of the transaction price and are established with reference to recently completed market transactions. The fair value calculations are categorized as Level 3 fair value measures based on unobservable inputs.

The most sensitive key assumptions to the impairment model are the Adjusted EBITDA forecast and implied forward earnings multiples. A decrease of up to 5% in the Adjusted EBITDA forecast or the implied earnings multiples, with all other assumptions held constant, would not cause the recoverable amount of any CGU group to fall below its carrying amount.

10. SUPPLEMENTAL CASH FLOW INFORMATION

Net change in non-cash working capital related to operating activities

For the years ended	**December 31, 2022**	December 31, 2021
Accounts receivable	**(392)**	(537)
Inventories	**(266)**	(475)
Prepaid expenses and other	**(12)**	(37)
Accounts payable and accrued liabilities	**568**	625
Income taxes payable	**(41)**	50
Income taxes receivable	**(7)**	28
Deferred revenue	**11**	4
Total net change in non-cash working capital related to operating activities	**(139)**	(342)

Net change in non-cash working capital related to investing activities

For the years ended	**December 31, 2022**	December 31, 2021
Accounts payable and accrued liabilities	**11**	(6)

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

	Note	**Long-term debt**	**Dividends declared and payable**
As at January 1, 2022		**5,556**	**16**
Dividends paid to shareholders, net of dividend reinvestment plan		**–**	**(121)**
Dividends paid to non-controlling interest		**–**	**(35)**
Net proceeds from (repayments of) the Credit Facility		**973**	**–**
Other net long-term debt repayments, net of financing costs		**(40)**	**–**
Payments on principal amount of leases, and other lease payments		**(177)**	**–**
Cash generated from (used in) financing activities		**756**	**(156)**
Dividends declared		**–**	**242**
Dividends issued under dividend reinvestment plan		**–**	**(45)**
Amortization of deferred financing costs and debt premium	14	**3**	**–**
Acquisitions of long-term debt	20	**37**	**–**
Acquisitions of long-term debt - lease obligation	20	**114**	**–**
Lease additions and other adjustments		**228**	**–**
Effect of changes in foreign exchange rates		**278**	**–**
As at December 31, 2022		**6,972**	**57**

($ millions, unless otherwise stated)

	Note	Long-term debt	Intermediation facility (and derivatives)	Dividends declared and payable
As at January 1, 2021		3,975	194	16
Dividends paid to shareholders, net of dividend reinvestment plan		—	—	(132)
Change in Intermediation Facility, net of unrealized foreign exchange (gain) loss		—	(194)	—
Proceeds from the 2021 Senior Notes, net of financing costs	14	3,183	—	—
Net proceeds from (repayments of) the Credit Facility		(49)	—	—
Other net long-term debt repayments, net of financing costs		(1,733)	—	—
Payments on principal amount of leases, and other lease payments		(142)	—	—
Cash generated from (used in) financing activities		1,259	(194)	(132)
Dividends declared		—	—	190
Dividends issued under dividend reinvestment plan		—	—	(58)
Inception value of Redemption Options	15	34	—	—
Amortization of deferred financing costs and debt premium	14	11	—	—
Acquisitions of long-term debt - lease obligation	20	131	—	—
Lease additions and other adjustments		166	—	—
Effect of changes in foreign exchange rates		(20)	—	—
As at December 31, 2021		5,556	—	16

11. INVESTMENT IN ASSOCIATES AND JOINT VENTURES

	December 31, 2022	December 31, 2021
Investment in associate	**150**	147
Investment in joint ventures	**192**	172
	342	319

(a) Investment in associates

A subsidiary of Sol Investments SEZC (together with its subsidiaries, "Sol"), a wholly owned subsidiary of Parkland, holds a 29% interest in the Société Anonyme de la Raffinerie des Antilles ("SARA") refinery, which is based in Martinique with operations to sell refined crude oil in Guadeloupe, French Guiana and Martinique. The SARA refinery is an unlisted entity and has a December 31 year end. This entity is accounted for as an investment in associate using the equity method.

(b) Investment in joint ventures

On July 1, 2021, Sol acquired a 50% indirect ownership in Isla Dominicana de Petroleo Corp. ("Isla") through its subsidiaries for a purchase consideration of $156 including cash consideration and contribution of Sol's existing business in the Dominican Republic. The combined operations of Isla comprise 236 retail locations alongside an integrated commercial and aviation business, creating a market-leading retail network and expanding Parkland's presence in the Dominican-based market. Isla is structured as a separate legal entity in which Parkland has both joint control and a residual interest in the net assets and has a December 31 year end. Accordingly, Parkland has classified its interest in Isla as a joint venture and measures its investment using the equity method of accounting.

The tables below provide summarized financial information for the associates and joint ventures that are material to Parkland and includes a reconciliation to Parkland's share of those amounts. These amounts include adjustments made by Parkland when using the equity method, including fair value adjustments.

($ millions, unless otherwise stated)

	SARA		Isla	
	2022	2021	**2022**	2021
Current assets[1]	**491**	393	**111**	87
Non-current assets	**456**	453	**235**	209
Current liabilities	**(208)**	(148)	**(77)**	(57)
Non-current liabilities[1]	**(223)**	(192)	**(27)**	(23)
Net assets	**516**	506	**242**	216
Percentage of ownership interest	**29 %**	29 %	**50 %**	50 %
Proportionate share of net assets	**150**	147	**121**	108
Goodwill	**–**	–	**60**	57
Carrying amount	**150**	147	**181**	165
Reconciliation to carrying amounts				
Opening net assets	**147**	158	**165**	–
Contributions into the investment	**–**	–	**–**	159
Net earnings (loss) for the period	**8**	8	**13**	8
Other comprehensive income (loss)	**4**	(9)	**14**	2
Dividends	**(9)**	(10)	**(11)**	(4)
Closing net assets	**150**	147	**181**	165

[1] Net assets of the joint ventures include cash of $30 and non-current financial liabilities of $12.

For the years ended December 31,	**2022**	2021	**2022**	2021[1]
Sales and operating revenue	**1,976**	1,237	**1,155**	486
Net earnings (loss)	**28**	28	**26**	15
Other comprehensive income (loss)	**14**	(31)	**28**	4
Total comprehensive income (loss)	**42**	(3)	**54**	19
Percentage of ownership interest	**29 %**	29 %	**50 %**	50 %
Proportionate share of:				
Net earnings (loss)	**8**	8	**13**	8
Other comprehensive income (loss)	**4**	(9)	**14**	2
Proportionate share of total comprehensive income (loss)	**12**	(1)	**27**	10

[1] Includes financial information for Isla from the investment date of July 1, 2021.

	Investment in joint ventures	
Reconciliation to Adjusted EBITDA	**2022**	2021
Net earnings (loss)	**26**	15
Add back:		
Depreciation and amortization	**11**	7
Income tax expense (recovery)	**10**	6
Adjusted EBITDA	**47**	28
Ownership interest	**50 %**	50 %
Proportionate Adjusted EBITDA[1]	**24**	14

[1] Refer to Note 26 for a description of segment profit measures.

12. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

As part of Parkland's portfolio optimization strategy, management committed to a plan to sell certain assets within the Canada segment. Accordingly, these assets and associated liabilities are presented as held for sale. Efforts to sell these assets have started and a sale is expected to occur within the next 12 months.

As of December 31, 2022, assets and liabilities held for sale are comprised primarily of property, plant and equipment and the related asset retirement obligations.

($ millions, unless otherwise stated)

13. OTHER LONG-TERM ASSETS

	Note	**December 31, 2022**	December 31, 2021
Redemption Options[1]	15	**35**	102
Long-term prepaid expenses, deposits and other assets		**47**	28
		82	130

[1] Parkland's Senior Notes contain optional redemption features that allow Parkland to redeem the notes prior to maturity at a premium.

14. LONG-TERM DEBT

	December 31, 2022	December 31, 2021
Credit Facility (a)	**1,702**	637
Unamortized deferred financing costs	**(5)**	(6)
	1,697	631
Senior Notes (c)		
3.875% Senior Notes, due 2026	**600**	600
5.875% US$500 Senior Notes, due 2027	**677**	633
6.00% Senior Notes, due 2028	**400**	400
4.375% Senior Notes, due 2029	**600**	600
4.50% US$800 Senior Notes, due 2029	**1,083**	1,012
4.625% US$800 Senior Notes, due 2030	**1,083**	1,012
Unamortized premium: Redemption Options	**44**	48
Unamortized discount: deferred financing costs	**(42)**	(49)
	4,445	4,256
Other notes	**2**	6
Credit Facility, Senior Notes and Other notes	**6,144**	4,893
Lease obligations[1]	**828**	663
Total long-term debt	**6,972**	5,556
Less: current portion of Credit Facility, Senior Notes and Other notes	**(1)**	(3)
Less: current portion of Lease obligations	**(172)**	(121)
Long-term debt	**6,799**	5,432

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

($ millions, unless otherwise stated)

Estimated principal repayments of the Credit Facility, Senior Notes and other notes, and future lease payments as at December 31, 2022 are as follows:

	2023	2024	2025	2026	2027	Thereafter	Interest included in minimum lease payments	Total
Credit Facility (a)								
Revolving facilities	–	–	–	–	1,161	–	–	1,161
Term loan	–	541	–	–	–	–	–	541
Senior Notes (c)								
3.875% Senior Notes, due 2026	–	–	–	600	–	–	–	600
5.875% US Senior Notes, due 2027	–	–	–	–	677	–	–	677
6.00% Senior Notes, due 2028	–	–	–	–	–	400	–	400
4.375% Senior Notes, due 2029	–	–	–	–	–	600	–	600
4.50% US Senior Notes, due 2029	–	–	–	–	–	1,083	–	1,083
4.625% US Senior Notes, due 2030	–	–	–	–	–	1,083	–	1,083
Other notes	1	1	–	–	–	–	–	2
Undiscounted Future Lease Payments	204	132	104	90	65	516	(283)	828
	205	674	104	690	1,903	3,682	(283)	6,975

Estimated principal repayments of the Credit Facility, Senior Notes and other notes, and future lease payments as at December 31, 2021 are as follows:

	2022	2023	2024	2025	2026	Thereafter	Interest included in minimum lease payments	Total
Credit Facility (a)	—	—	—	—	637	—	—	637
Senior Notes (c)								
3.875% Senior Notes, due 2026	—	—	—	—	600	—	_	600
5.875% US Senior Notes, due 2027	—	—	—	—	—	633	—	633
6.00% Senior Notes, due 2028	—	—	—	—	—	400	—	400
4.375% Senior Notes, due 2029	—	—	—	—	—	600	—	600
4.50% US Senior Notes, due 2029	—	—	—	—	—	1,012	—	1,012
4.625% US Senior Notes, due 2030	—	—	—	—	—	1,012	—	1,012
Other notes	3	1	1	1	—	—	—	6
Undiscounted Future Lease Payments	148	113	88	63	57	423	(229)	663
	151	114	89	64	1,294	4,080	(229)	5,563

(a) Credit Facility

On March 25, 2021, Parkland's existing syndicated credit facility was amended to expand the available facility and extend the maturity date (the "Credit Facility") and was further amended on September 22, 2021 to reduce the Canadian revolving capacity commitment by $64 and correspondingly increase the US revolving facility commitment by US$50.

On April 14, 2022, Parkland further amended the Credit Facility agreement to, among other things, extend the maturity date of the revolving facilities to April 14, 2027 and add a two-year term loan, in the amount of US$400 maturing on April 14, 2024. The amended Credit Facility has a combined revolving facility of $1,594 and US$250 with a maturity date of April 14, 2027. Further, the interest rate benchmark on US-denominated loans will now be the Secured Overnight Financing Rate ("SOFR") in place of the London Inter-Bank Offered Rate ("LIBOR").

($ millions, unless otherwise stated)

Details on the Credit Facility as at December 31, 2022 are as follows:

	Maturity date	Effective rate	Balance
Revolving facilities:			
$1,594 Canadian Revolving and Operating Facility[1]	April 14, 2027	6.35 %	**1,106**
US$250 Bilateral and Operating Facility[1][2]	April 14, 2027	8.01 %	**55**
US$400 Term Loan	April 14, 2024	5.91 %	**541**
Outstanding borrowings under the Credit Facility			**1,702**

(1) The credit facility is subject to a floating interest rate.
(2) As at December 31, 2022, the US Bilateral and Operating Facility consisted primarily of debt in local Caribbean currencies, with interest rates ranging from 6.4% to 8.8%.

Details on the Credit Facility as at December 31, 2021 are as follows:

	Maturity date	Effective rate[1]	Balance
$1,651 Canadian Revolving and Operating Facility[2]	March 25, 2026	2.05 %	519
US$205 Bilateral and Operating Facility[2]	March 25, 2026	3.60 %	118
Outstanding borrowings under the Credit Facility			637

(1) The credit facility is subject to a floating interest rate.
(2) Prior to September 22, 2021, the Credit Facility included a Canadian Revolving and Operating Facility of $1,715 and a Bilateral and Operating Facility of US$155.

As at December 31, 2022, Parkland issued $52 (December 31, 2021 - $44) of letters of credit and $319 (December 31, 2021 - $252) of surety bonds to provide guarantees on behalf of its subsidiaries in the ordinary course of business, which are not recognized in the consolidated financial statements. Maturity dates for these guarantees vary and are up to and including July 31, 2025.

As at December 31, 2022, Parkland provided $3,650 (December 31, 2021 - $3,108) of unsecured guarantees to counterparties of commodities swaps and purchase and supply agreements of crude oil, fuel and other petroleum products.

(b) Net Investment Hedge

Parkland has designated certain USD-denominated debt and payable balances as a net investment hedge to mitigate foreign exchange risk related to net investments in foreign operations for which the US dollar is the functional currency. The foreign currency debt and the net investments in foreign operations are both denominated in US dollar currency; therefore, the hedge ratio is 1:1. The hedge is subject to potential ineffectiveness from the net investment amount falling below the designated balance. During the year ended December 31, 2022, Parkland recognized a foreign exchange loss, net of tax, of $163 (2021 - gain, net of tax, of $10) on these balances, representing the effective portion of the hedge in other comprehensive income (loss), offsetting exchange differences on translation of foreign operations. As at December 31, 2022, of the $2,100 of USD-denominated Senior Notes, $1,950 was included in the Net Investment Hedge.

As at December 31, 2022, $53 gain of cumulative exchange differences on translation of foreign operations were included in the accumulated other comprehensive income of Parkland (December 31, 2021 - $110 loss), partially offset by a cumulative reserve of $111 loss on the net investment hedge (December 31, 2021 - $52 gain).

(c) Senior Notes

The Senior Notes are unsecured obligations guaranteed by Parkland's subsidiaries and contain covenants that limit Parkland's ability to incur additional debt, make certain restricted payments and investments, create liens, enter into transactions with affiliates, and consolidate, merge, transfer or sell all or substantially all of its property and assets. Interest on the Senior Notes is paid semi-annually and is recorded in finance costs. See Note 22.

($ millions, unless otherwise stated)

4.375% $600 Senior Notes, due 2029

On March 25, 2021, Parkland completed the private offering of $600 aggregate principal amount of senior unsecured notes due March 26, 2029. The Senior Notes were priced at par and bear interest at a rate of 4.375% per annum, payable semi-annually in arrears beginning September 26, 2021.

4.50% US$800 Senior Notes, due 2029

On April 13, 2021, Parkland completed the private offering of US$800 aggregate principal amount of senior unsecured notes due October 1, 2029. The Senior Notes were priced at par and bear interest at a rate of 4.50% per annum, payable semi-annually in arrears beginning October 1, 2021.

3.875% $600 Senior Notes, due 2026

On June 16, 2021, Parkland completed the private offering of $600 aggregate principal amount of senior unsecured notes due June 16, 2026. The Senior Notes were priced at par and bear interest at a rate of 3.875% per annum, payable semi-annually in arrears beginning December 16, 2021.

4.625% US$800 Senior Notes, due 2030

On November 23, 2021, Parkland completed the private offering of US$800 aggregate principal amount of senior unsecured notes due May 1, 2030. The Senior Notes were priced at par and bear interest at a rate of 4.625% per annum, payable semi-annually in arrears beginning May 1, 2022.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT ACTIVITIES

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

(a) Fair value measurement hierarchy

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

		Fair value as at December 31, 2022			
	Note	**Quoted prices in active market (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Commodities swaps, forwards and futures contracts		–	–	–	–
Emission credit forward and option contracts		–	35	–	35
Currency forward exchange contracts		–	4	–	4
Risk management and other financial assets		–	39	–	39
Commodities swaps, forwards and futures contracts		–	(50)	–	(50)
US dollar forward exchange contract (b)		–	(1)	–	(1)
Emission credit forward and option contracts		–	(18)	–	(18)
Risk management and other financial liabilities		–	(69)	–	(69)
Other items included in other long-term assets					
Redemption Options	13	–	35	–	35
Others	13	–	–	6	6
Other items included in other long-term assets		–	35	6	41

($ millions, unless otherwise stated)

		Fair value as at December 31, 2021			
	Note	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Commodities swaps, forwards and futures contracts		—	21	—	21
Emission credit forward and option contracts		—	15	—	15
Currency forward exchange contracts		—	4	—	4
Risk management and other financial assets		—	40	—	40
Commodities swaps, forwards and futures contracts		—	(24)	—	(24)
Emission credit forward and option contracts		—	(15)	—	(15)
Risk management and other financial liabilities		—	(39)	—	(39)
Redemption Options	13	—	102	—	102
Other items included in other long-term assets		—	102	—	102
Sol Put Option	17	—	—	(589)	(589)
Other items included in provisions and other liabilities		—	—	(589)	(589)

There were no changes in the nature and characteristics of commodities swaps, forwards and futures contracts, currency forward exchange contracts, emission credit forward and option contracts, and redemption options. There were no transfers between fair value measurement hierarchy levels during the year ended December 31, 2022.

(b) Risk management and other financial assets and liabilities

Derivative financial instruments including commodities swaps, forwards and futures contracts, emission credit forward and option contracts, and currency forward exchange contracts may be used to selectively reduce volatility associated with fluctuations in the commodities prices and foreign currency exchange rates. As at December 31, 2022, Parkland's derivative financial instruments include commodities futures contracts on refined products, commodities swaps on crude oil, heavy oil, liquid petroleum gas and refined products, emission credit forward and option contracts, and US dollar forward contracts. Fair values of these derivatives are determined using independent price publications, third-party pricing services, market exchanges and investment dealer quotes. Fair values of the outstanding heating oil, gasoline and refined products option contracts are determined using external counterparty information, which is compared to observable data.

Loss (gain) on risk management and other

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

For the years ended	**December 31, 2022**	December 31, 2021
Loss (gain) on risk management and other - realized[1]	**336**	114
Loss (gain) on risk management and other - unrealized[2]	**39**	10
Loss (gain) on risk management and other	**375**	124

[1] Realized losses (gains) on risk management contracts are offset by gains (losses) on physical products delivered and recorded within "Sales and operating revenue" and "Cost of purchases" (i.e. gross margin) during the period.
[2] Unrealized losses (gains) on commodity risk management contracts are expected to largely offset upon realization, any gains or losses on physical products at the time of sale.

(c) Redemption Options

The Senior Unsecured Notes contain optional redemption features that allow Parkland to redeem the notes prior to maturity at a premium (the "Redemption Options"). The Redemption Options are accounted for as embedded derivative financial instruments and carried at a fair value of $35 as at December 31, 2022 (December 31, 2021 - $102) within other long-term assets with the changes in fair value recorded within other (gains) and losses. Fair values of the Redemption Options are determined using a valuation model based on inputs from observable market data, including independent price publications, third-party pricing services, and market exchanges.

($ millions, unless otherwise stated)

(d) Sol Put Option

The acquisition of Sol in 2019 included a non-expiring put right for the non-controlling shareholders to sell the remaining interest to Parkland (the "Sol Put Option"). The Sol Put Option was classified as a non-derivative financial liability at FVTPL, with changes in redemption value recorded within other (gains) and losses on the consolidated statements of income (loss). The fair value of the Sol Put Option was based on Level 3 significant unobservable inputs and assumptions that included a contractually defined trailing-twelve-month adjusted EBITDA of Sol multiplied by 8.5 and other adjustments as defined in the agreement. An increase in adjusted EBITDA would have resulted in an increase to the liability associated with the Sol Put Option. The Sol Put Option was carried at a redemption value of $612 as at October 18, 2022 (December 31, 2021 - $589), when it was extinguished pursuant to Parkland's acquisition of the non-controlling interest in Sol. See Note 19 for further details.

(e) Other financial instruments

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and dividends declared and payable approximate their fair values as at December 31, 2022 due to the short-term nature of these instruments. The Senior Notes had a carrying value of $4,445 and an estimated fair value of $3,902 as at December 31, 2022 (December 31, 2021 – $4,256 and $4,319 respectively), determined by discounting future cash flows using discount rates ranging from 7.3% to 8.1% (December 31, 2021 - 4.1% to 5.1%), representing the rates available to Parkland for loans with similar terms, conditions and maturity dates. The carrying value of other long-term liabilities carried at amortized cost approximates fair value as at December 31, 2022, given that they were recently incurred.

(f) Offsetting

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

	December 31, 2022			December 31, 2021		
	Gross amount	**Amount offset**	**Net**	Gross amount	Amount offset	Net
Risk management and other financial assets	**58**	**(19)**	**39**	94	(54)	40
Risk management and other financial liabilities	**(88)**	**19**	**(69)**	(93)	54	(39)

(g) Market risk

US dollar currency risk

Parkland is exposed to foreign currency risk relating to its operating and financing activities, which arises from purchasing and selling certain products and services, and borrowing in a currency that is not the functional currency of the relevant group entity. Parkland mitigates the risk using derivative financial instruments including US dollar forward contracts. The impact on Parkland's net earnings (loss) is driven by the impact of changes in foreign exchange rates on the carrying values of monetary assets and liabilities, including the USD-denominated debt, and is offset by the impact on Parkland's other comprehensive income (loss) as a result of designation of certain USD-denominated debt as a net investment hedge to mitigate foreign exchange risk related to foreign operations (see Note 14).

Parkland is primarily exposed to changes in the exchange rates between the US dollar and the functional currencies noted in the following table, which demonstrates the sensitivity to changes in exchange rates, with all other variables held constant, on financial instruments denominated in US dollars at the end of the reporting period.

For the years ended	**December 31, 2022**		December 31, 2021	
	Net earnings (loss)	**OCI, net of tax**	Net earnings (loss)	OCI, net of tax
USD/CAD - 10% change	**(15)**	**(168)**	(23)	(166)
USD/EUR - 10% change	**(14)**	**–**	(10)	—
USD/SRD - 25% change[1]	**(10)**	**–**	(1)	—
	(39)	**(168)**	(34)	(166)

[1] A higher sensitivity is used to reflect the reasonably possible changes in the exchange rate between the US dollar and Surinamese dollar.

($ millions, unless otherwise stated)

Loss (gain) on foreign exchange

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

For the years ended	**December 31, 2022**	December 31, 2021
Loss (gain) on foreign exchange - realized	**16**	(3)
Loss (gain) on foreign exchange - unrealized	**(8)**	(7)
Loss (gain) on foreign exchange	**8**	(10)

(h) Commodity price risk

Parkland enters into financial instruments including swaps, forwards, options and futures contracts to mitigate commodity price risk volatility as part of its risk management strategy. These risk management contracts are used to lock in margins with customers on commodities to be delivered. Any unrealized gains or losses on commodity risk management contracts are expected to largely offset, upon realization, any gains or losses on physical products at the time of sale. These financial instruments are subject to financial controls, risk management and monitoring procedures. Risk management derivatives are recorded at fair value and are sensitive to commodity price movements. As at December 31, 2022, a 5% change in commodity prices, including crude oil, heavy oil, LPGs and refined products, with all other variables held constant, would change the loss (gain) on risk management and other by approximately $18 (2021 - $11) due to the change in the fair values of risk management contracts, which is expected to be largely offset by the impact of gains or losses recorded within "Sales and operating revenue" and "Cost of purchases upon delivery of physical products in the future, resulting in minimal impact on net earnings (loss).

(i) Interest rate risk

Parkland is normally exposed to market risk from changes in the Canadian and US prime interest rates, bankers' acceptance rate linked to the CDOR (Canadian Dollar Overnight Rate) and SOFR, which can impact Parkland's borrowing costs on the Credit Facility. Parkland monitors and analyzes interest rate risk on a regular basis and mitigates interest rate risk by considering refinancing, credit line renewals, hedging options and issuing long-term debt at a fixed rate. As at December 31, 2022, a 100-basis point change in these interest rates, with all other variables held constant, including the amount of borrowings and letters of credit drawn under the Credit Facility, would have caused an increase or decrease to interest on long-term debt and net earnings (loss) of approximately $17 (2021 - $6). Note the cessation of the CDOR is scheduled for June 2024, and will be replaced with the enhanced CORRA (Canadian Overnight Repo Rate Average). Parkland will continue to monitor any financial impacts from the cessation of the CDOR.

(j) Credit risk

Parkland does not have significant credit exposure to any individual customer, and credit risk is minimized by Parkland's broad customer and geographic base. Parkland's accounts receivable are with customers in various industries, which range from credit card institutions, franchisees and small businesses to large and established companies with investment grade ratings and are subject to normal industry credit risks. Parkland continuously monitors customers aged accounts receivable balances and establishes credit limits at the inception of dealing with new customers. Regular meetings are held to monitor potential issues in collections, and reports are generated on a periodic basis. The maximum exposure to credit risk of accounts receivable is their carrying value. Counterparties for all Parkland's risk management contracts are major financial institutions or counterparties with investment grade credit ratings. At December 31, 2022 and 2021, substantially all of the Parkland's trade receivables are current.

As at December 31, 2022, the provision for ECLs on total accounts receivable was $35 (December 31, 2021 – $25) and the provision for ECLs on long-term receivables was $1 (December 31, 2021 – $1).

(k) Liquidity risk

Parkland mitigates liquidity risk by forecasting spending and cash flow requirements, considering seasonality of working capital needs and ensuring access to multiple sources of capital to the extent possible, including cash and cash equivalents, cash from operating activities, undrawn credit facilities and access to various credit products at competitive rates. As at December 31, 2022, Parkland's available liquidity was $1,484, comprised of cash and cash equivalents of $716 (December 31, 2021 - $326) and borrowing capacity available under the Credit Facility of $768 (December 31, 2021 – $1,270). Parkland believes it has sufficient funding to meet foreseeable liquidity requirements through the use of credit facilities, cash flows from operating activities, and cash on hand.

($ millions, unless otherwise stated)

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

As at December 31, 2022	Note	**Less than one year**	**Years two and three**	**Years four and five**	**Thereafter**	**Interest included in minimum lease payments**	**Total**
Accounts payable and accrued liabilities		**2,806**	**–**	**–**	**–**	**–**	**2,806**
Dividends declared and payable		**57**	**–**	**–**	**–**	**–**	**57**
Risk management and other financial liabilities		**69**	**–**	**–**	**–**	**–**	**69**
Long-term debt[1]		**416**	**1,200**	**2,963**	**3,933**	**(283)**	**8,229**
Provisions and other liabilities[2]	17	**99**	**15**	**9**	**33**	**–**	**156**
		3,447	**1,215**	**2,972**	**3,966**	**(283)**	**11,317**

[1] Represents lease obligations, interest and undiscounted principal payments of the Credit Facility and Senior Notes and Other Notes.
[2] Includes deferred consideration for the purchase of Vopak (see Note 20), customer deposits, and other items. Excludes the asset retirement and other obligations.

As at December 31, 2021	Note	Less than one year	Years two and three	Years four and five	Thereafter	Interest included in minimum lease payments	Total
Accounts payable and accrued liabilities		1,950	—	—	—	—	1,950
Dividends declared and payable		16	—	—	—	—	16
Risk management and other financial liabilities		39	—	—	—	—	39
Long-term debt[1]		355	611	1,755	4,483	(229)	6,975
Provisions and other liabilities[2]	17	8	591	2	31	—	632
		2,368	1,202	1,757	4,514	(229)	9,612

[1] Represents lease obligations, interest and undiscounted principal payments of the Credit Facility and Senior Notes and Other Notes.
[2] Includes the Sol Put Option, and other items. Excludes the asset retirement and other obligations.

16. CAPITAL MANAGEMENT

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

Leverage Ratio

Parkland's primary capital management measure is the Leverage Ratio, which is used internally by key management personnel to monitor Parkland's overall financial strength, capital structure flexibility, and ability to service debt and meet current and future commitments. In order to manage its financing requirements, Parkland may (i) adjust its plan for capital spending, dividends paid to shareholders, and shares repurchase, or (ii) issue new shares or new debt. The Leverage Ratio does not have any standardized meaning prescribed under IFRS. It is therefore unlikely to be comparable to similar measures presented by other companies. The detailed calculation of Leverage Ratio is as follows:

	December 31, 2022	December 31, 2021
Leverage Debt	**5,480**	4,611
Leverage EBITDA[4]	**1,602**	1,402
Leverage Ratio[4]	**3.4**	3.3

($ millions, unless otherwise stated)

	Note	December 31, 2022	December 31, 2021
Long-term debt	14	**6,972**	5,556
Less:			
Lease obligations	14	**(828)**	(663)
Cash and cash equivalents		**(716)**	(326)
Add:			
Letters of credit	14	**52**	44
Leverage Debt		**5,480**	4,611

For the years ended	Note	December 31, 2022	December 31, 2021
Adjusted EBITDA including NCI	26	**1,687**	1,358
Share incentive compensation	18	**30**	28
Reverse: IFRS 16 impact[1]		**(197)**	(164)
		1,520	1,222
Acquisition pro-forma adjustment[2]		**51**	83
Other adjustments[3]		**31**	97
Leverage EBITDA		**1,602**	1,402

(1) Includes the impact of operating leases prior to the adoption of IFRS 16, previously recognized under operating costs, which aligns with management's view of the impact to earnings.
(2) Amounts for the trailing twelve months ended December 31, 2022 include pro-forma pre-acquisition EBITDA estimates based on anticipated benefits, costs and synergies of acquisitions.
(3) Relates to adjustments for the normalization of the impact from the turnaround and other non-recurring events including extreme weather events, mechanical break-downs, and third-party power outages beyond management's control.
(4) Comparative figures have been restated to conform to the presentation used in the current period.

Credit Facility covenants

Parkland is required under the terms of its Credit Facility to comply with certain financial covenants consisting of (i) Senior Funded Debt to Credit Facility EBITDA ratio, (ii) Total Funded Debt to Credit Facility EBITDA ratio, and (iii) Interest coverage ratio (calculated as a ratio of Credit Facility EBITDA to Interest Expense). The Credit Facility EBITDA, Senior Funded Debt and Interest Expense are defined under the terms of the Credit Facility and do not have any standardized meaning prescribed under IFRS. They are therefore unlikely to be comparable to similar measures presented by other companies. Parkland was in compliance with all Credit Facility covenants throughout the year ended December 31, 2022.

17. PROVISIONS AND OTHER LIABILITIES

	Note	December 31, 2022	December 31, 2021
Asset retirement obligations - current (a)		**11**	18
Environmental Provision - current (c)		**1**	4
Deferred revenue		**36**	23
Short-term deposits, provisions and other		**91**	15
Provisions and other liabilities - current		**139**	60
Sol Put Option (b)	15, 19	**–**	589
Asset retirement obligations - non-current (a)		**521**	402
Environmental Provision - non-current (c)		**114**	125
Employee benefits and other		**31**	29
Long-term deposits, provisions and other		**75**	40
DSU liability		**11**	11
Provisions and other liabilities - non-current		**752**	1,196

($ millions, unless otherwise stated)

(a) Asset retirement obligations

	Note	January 1, 2022 to December 31, 2022	January 1, 2021 to December 31, 2021
Asset retirement obligations, beginning of period		**420**	387
Additional provisions and changes in retirement cost estimates		**156**	55
Acquisitions	20	**89**	31
Obligations settled or transferred		**(49)**	(15)
Change due to passage of time, discount rate and inflation rate		**(94)**	(37)
Change due to foreign exchange		**10**	(1)
Asset retirement obligations, end of period		**532**	420
Current		**11**	18
Non-current		**521**	402
Asset retirement obligations, end of period		**532**	420

As at December 31, 2022, the inflation rate used to determine the value of future asset retirement costs ranged from 2.71% to 2.92% (December 31, 2021 - 2.20% to 2.59%), and the discount rate used to determine the present value of the future asset retirement costs ranged from 5.29% to 5.93% (December 31, 2021 - 3.46%). The total undiscounted estimated future cash flows required to settle Parkland's asset retirement obligations ("ARO") were $994 as at December 31, 2022 (December 31, 2021 - $696). These costs are expected to be paid up to the year 2073 (December 31, 2021 - 2071).

(b) Sol Put Option

	Note	January 1, 2022 to December 31, 2022	January 1, 2021 to December 31, 2021
Sol Put Option, beginning of period		**589**	503
Change in redemption value of Sol Put Option	23	**(30)**	87
Exchange differences		**53**	(1)
Extinguishment due to acquisition of non-controlling interest	19	**(612)**	—
Sol Put Option, end of period		**—**	589

(c) Environmental Provision

		January 1, 2022 to December 31, 2022	January 1, 2021 to December 31, 2021[1]
Environmental Provision, beginning of period		**129**	88
Additional provision made in the period		**11**	57
Acquisitions	20	**3**	—
Change due to passage of time, discount rate and inflation rate		**(28)**	(14)
Obligations settled or transferred during the period		**(5)**	(1)
Exchange differences		**5**	(1)
Environmental Provision, end of period		**115**	129
Current		**1**	4
Non-current		**114**	125
Environmental Provision, end of period		**115**	129

[1] For comparative purposes, certain amounts were reclassified to conform to the presentation used in the current period.

As at December 31, 2022, the inflation rate used to determine the value of future costs related to environmental activities ranged from 2.71% to 2.92% (December 31, 2021 - 2.20% to 2.59%), and the discount rates used to determine the present value of the future costs related to environmental activities ranged from 5.29% to 5.30% (December 31, 2021 - 3.37% to 3.46%).

18. SHAREHOLDERS' CAPITAL

(a) Shareholders' capital

Authorized capital of Parkland consists of an unlimited number of common shares and an unlimited number of preferred shares issuable in series without par value. There are no preferred shares outstanding. Changes to shareholders' capital were as follows:

	2022		2021	
	Number of common shares (000's)	**Amount ($ millions)**	Number of common shares (000's)	Amount ($ millions)
Shareholders' capital, as at January 1	**154,176**	**2,586**	150,054	2,440
Shares issued on acquisitions	**771**	**26**	1,529	53
Shares issued under the ATM equity program, net of costs	**–**	**–**	550	22
Issued under dividend reinvestment plan, net of costs	**1,385**	**45**	1,485	58
Issued on acquisition of non-controlling interest in Sol	**20,000**	**591**	—	—
Issued under share option plan	**421**	**12**	313	8
Issued on vesting of performance share units	**128**	**4**	245	5
Shares repurchased through NCIB	**(1,453)**	**(27)**	—	—
Shareholders' capital, as at December 31	**175,428**	**3,237**	154,176	2,586

Dividends

During the year ended December 31, 2022, Parkland declared dividends of $207 (2021 - $190). Parkland changed from monthly dividend payment to quarterly dividend payment starting in the second quarter of 2022. Dividends declared for the fourth quarter of 2022 and payable as at December 31, 2022 of $57 at $0.3250 per share were paid on January 13, 2023 (December 31, 2021 - monthly dividend of $16 at 0.1029 per share). On November 2, 2022, Parkland announced the suspension of its enhanced Dividend Reinvestment Plan for its common shares until further notice. As a result, shareholders will only receive future dividends in cash.

(b) Share options

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

	2022		2021	
	Number of options (000's)	**Average exercise price ($ per option)**	Number of options (000's)	Average exercise price ($ per option)
Share options, as at January 1	**3,766**	**31.58**	3,739	30.06
Granted	**819**	**32.57**	395	39.54
Exercised	**(421)**	**23.13**	(313)	22.29
Expired	**(41)**	**38.73**	(5)	35.91
Forfeited	**(26)**	**35.08**	(50)	38.47
Share options, as at December 31	**4,097**	**32.56**	3,766	31.58
Exercisable options, as at December 31	**2,840**	**31.95**	2,740	29.75

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

Range of exercise prices	Number of options (000's)	Weighted average remaining contractual life (years)	Weighted average exercise price ($ per option)
$19.00 – $25.99	**629**	**1**	**23.50**
$26.00 – $32.99	**2,300**	**4**	**31.48**
$33.00 – $39.99	**996**	**4**	**38.71**
$40.00 – $46.99	**172**	**5**	**44.53**
Share options, as at December 31, 2022	**4,097**	**4**	**32.56**

Share option expense included in marketing, general and administrative expenses for the year ended December 31, 2022 was $4 (2021 - $4). Options were exercised on a regular basis throughout the year. The weighted average share price during the year was $32.09 per share (2021- $37.95)

The weighted average fair values of the options granted in 2022 and 2021 and the weighted average assumptions used in the Black-Scholes option valuation model to determine their fair values are as follows:

	2022	2021
Exercise price and share price at grant date ($ per option)	**32.57**	39.54
Volatility (%)	**34.00**	34.00
Dividend yield (%)	**3.86**	3.13
Expected life of option (years)	**5**	5
Annual risk-free interest rate (%)	**1.98**	0.95
Fair value ($ per option)	**7.01**	8.67

The expected lives of the options are based on historical data and current expectations, and are not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility of daily share prices over the period equivalent to the options' expected life is indicative of future trends, which may not necessarily be the actual outcome.

(c) Share units ("PSUs" and "RSUs")

Share units held by officers and employees are summarized as follows:

Number of share units (000's)	2022	2021
Share units, as at January 1	**1,720**	1,521
Granted	**936**	657
Dividend equivalents	**65**	54
Vested	**(763)**	(512)
Share units, as at December 31	**1,958**	1,720

The expense related to share units included in marketing, general and administrative expenses for the year ended December 31, 2022 was $21 (December 31, 2021 - $23). The weighted average fair value per unit granted was $32.68 for the year ended December 31, 2022 (2021 - $39.19).

(d) Deferred share units ("DSUs")

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

Number of DSUs (000's)	2022	2021
Deferred share units, as at January 1	**325**	287
Granted	**36**	28
Dividend equivalents	**12**	10
Deferred share units, as at December 31	**373**	325

The liability recorded for DSUs in other long-term liabilities as at December 31, 2022 was $11 (December 31, 2021 - $11). Changes in the fair value of the outstanding DSU liability included in acquisition, integration and other costs for the year ended December 31, 2022 resulted in a gain of $2 (2021 - gain of $1). Expense related to DSUs included in marketing, general and administrative expenses for the year ended December 31, 2022 was $2 (2021 - $1).

(e) Base shelf prospectus

On August 17, 2020, Parkland filed a base shelf prospectus (the "2020 Shelf Prospectus") for common shares, preferred shares, subscription receipts, warrants, debentures, notes and other evidence of indebtedness, as well as convertible securities and units composed of one or more of the aforementioned (collectively, the "2020 Securities") with an aggregate offering amount of up to $2,000. The 2020 Shelf Prospectus allowed Parkland to, from time to time, offer and sell the 2020 Securities, separately or together, in amounts, at prices and on terms set forth in one or more prospectus supplements. The 2020 Shelf Prospectus expired on September 17, 2022.

To replace the 2020 Shelf Prospectus, on August 19, 2022, Parkland filed a base shelf prospectus (the "2022 Shelf Prospectus") for common shares, preferred shares, subscription receipts, warrants, debentures, notes and other evidence of indebtedness, as well as convertible securities and units composed of one or more of the aforementioned (collectively, the "2022 Securities"). The 2022 Shelf Prospectus allows Parkland to, from time to time, offer and sell the 2022 Securities, separately or together, in amounts, at prices and on terms set forth in one or more prospectus supplements. The 2022 Shelf Prospectus expires on September 19, 2024.

(f) At-the-market equity program ("ATM")

On March 25, 2021, Parkland established an ATM equity program, which allowed Parkland to issue up to $250 of common shares from treasury to the public at prevailing market prices. The common shares issuable under the ATM equity program were qualified for distribution under a prospectus supplement dated March 25, 2021 to the 2020 Shelf Prospectus. The ATM equity program expired on September 17, 2022 concurrently with the expiry of the 2020 Shelf Prospectus. There were no common shares issued under the ATM equity program during the year ended December 31, 2022 (2021 - 550 thousand common shares at a weighted average price of $40.66 per share for aggregated proceeds of $22.36, net of share issuance costs of $0.67).

(g) Normal course issuer bid ("NCIB")

On December 1, 2021, Parkland commenced an NCIB, which was effective until November 30, 2022, allowing Parkland to purchase a maximum of 15,091,885 common shares over the 12-month period.

On December 1, 2022, Parkland commenced a new NCIB, which is effective until November 30, 2023, allowing Parkland to purchase a maximum of 13,992,412 common shares over the 12-month period. In connection with the current NCIB, Parkland entered into an automatic share purchase plan ("ASPP") with its broker to allow for the purchase of shares during quarterly pre-determined blackout periods, when Parkland would not ordinarily be permitted to purchase shares. Outside of these predetermined trading blackout periods, purchases under the current NCIB will be completed at Parkland's discretion.

During the year ended December 31, 2022, Parkland purchased for cancellation 1,452,918 common shares for a total of $40 under both NCIB programs (December 31, 2021 - nil). As result of the transactions, Parkland's shareholders' capital was reduced by the average carrying value of the shares repurchased for cancellation. The excess paid over the average carrying value of the shareholders' capital was $13 and was recognized as a reduction to retained earnings (December 31, 2021- nil).

19. NON-CONTROLLING INTEREST

Acquisition of the non-controlling interest in Sol

On October 18, 2022, at the closing of the share exchange agreement with Simpson Oil Limited entered into on August 4, 2022, Parkland issued 20,000,000 common shares at $29.56 per share in exchange for 25% of issued and outstanding shares in Sol, (representing the non-controlling interest in Parkland's consolidated financial statements) and settlement of certain outstanding balances with Simpson Oil Limited (the "Share Exchange"). The Sol Put Option was terminated upon completion of the Share Exchange and Sol became a wholly-owned subsidiary of Parkland. On closing, the net impact of the settlement under the Share

($ millions, unless otherwise stated)

Exchange was recognized in Shareholders' equity. The businesses and assets included in Sol are predominantly located in the Caribbean and northern coast of South America. The net impact of the acquisition is presented below:

	Note	Total
Fair value of consideration transferred		
20,000,000 common shares at $29.56[1]	18	**591**
Settlement of amount due from Simpson Oil		**48**
		639
De-recognition of Sol Put Option and NCI and related equity reserves		
Carrying amount of NCI at settlement date[1]		**392**
Derecognition of Sol Put Option liability at settlement date	17	**612**
Derecognition of Sol Put Option equity reserve at settlement date[1]		**(494)**
Transaction costs		**(6)**
Exchange difference on translation of Sol Put Option reserve		**(19)**
		485
Excess consideration recognized in Retained Earnings[1]		**154**

[1] Refer to the consolidated statement of changes in shareholders' equity. The share issuance represents a non-cash financing activity.

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

	December 31, 2022	December 31, 2021
Current assets	**3,637**	1,272
Non-current assets	**1,900**	1,671
Current liabilities	**(2,819)**	(744)
Non-current liabilities	**(1,078)**	(753)
Total equity	**1,640**	1,446
Attributable to Parkland	**1,640**	1,084
Attributable to NCI	**–**	362

For the years ended	**December 31, 2022**	December 31, 2021
Sales and operating revenue	**8,708**	4,870
Cost of purchases	**7,867**	4,201
Net earnings (loss) attributable to NCI[1]	**36**	29
Total comprehensive income (loss) attributable to NCI[1]	**65**	21
Dividends to NCI	**35**	6
Cash generated from (used in) operating activities	**146**	(52)
Cash generated from (used in) investing activities	**(149)**	(230)
Cash generated from (used in) financing activities	**(186)**	(22)
Net increase (decrease) in cash and cash equivalents	**(189)**	(304)
Net increase (decrease) in cash and cash equivalents attributable to NCI[1]	**(94)**	(76)

[1] 2022 net earnings (loss), total comprehensive income (loss) and net increase (decrease) in cash and cash equivalents attributable to NCI are both calculated for the period from January 1 to October 18, 2022, when the Share Exchange closed.

20. BUSINESS COMBINATIONS AND OTHER ACQUISITIONS

(a) 2022 Acquisitions

Parkland successfully completed the acquisition of: (i) all of the issued and outstanding equity interest of Pétroles Crevier Inc. (Crevier), the largest independent fuel wholesaler in the province of Quebec, Canada, on February 1, 2022, to support our growth strategy; (ii) all of the issued and outstanding equity interest of M&M Meat Shops Ltd. (M&M), a well-established restaurant-quality frozen food brand and retailer based in Mississauga, Canada, on February 18, 2022, providing a platform to grow our food offer, expand our proprietary brands, and advance our digital and loyalty strategy; (iii) all of the issued and outstanding equity interest of Vopak Terminal of Canada Inc. and Vopak Terminals of Eastern Canada Inc. (collectively, the "Vopak Acquisition"), which include four product terminals strategically located in east and west Montreal, Quebec, and Hamilton, Ontario, on June 1, 2022, which strengthens our existing supply advantage by providing a foundation for growth and marine import capabilities; (iv) all of the issued and outstanding equity interest in Gulfstream Petroleum S.R.L. (the "Jamaica Acquisition"), which represents GB Group's retail, aviation, commercial, lubes and liquefied petroleum gas ("LPG") business in Jamaica, on July 1, 2022, which expands the International segment, especially in retail and aviation; and (v) certain assets of Cenovus Energy Inc. (the "Husky Acquisition") comprising 163 retail stations, including Husky-branded locations on September 13, 2022 (collectively, the "2022 Acquisitions"), bolstering Parkland's existing convenience retail network.

($ millions, unless otherwise stated)

The 2022 Acquisitions were accounted for as individually separate business combinations, and the preliminary fair values of the identifiable assets acquired and liabilities assumed as well as the purchase consideration transferred for these acquisitions are presented below. Parkland expects to finalize the purchase price allocations no later than one year from the respective acquisition dates.

	Note	M&M	Vopak	Husky	Crevier	Jamaica	Total
Assets							
Accounts receivable[1]		**12**	**7**	**–**	**43**	**19**	**81**
Prepaid expenses and other		**2**	**2**	**24**	**–**	**2**	**30**
Inventories		**4**	**–**	**8**	**6**	**11**	**29**
Property, plant and equipment	6	**21**	**161**	**154**	**27**	**39**	**402**
Property, plant and equipment - right-of-use assets	7	**10**	**29**	**13**	**29**	**33**	**114**
Intangible assets[4]	8	**228**	**44**	**–**	**55**	**39**	**366**
Long-term receivables		**–**	**23**	**6**	**–**	**–**	**29**
Other long-term assets		**–**	**–**	**–**	**2**	**7**	**9**
Deferred tax asset		**–**	**–**	**7**	**–**	**–**	**7**
		277	**266**	**212**	**162**	**150**	**1,067**
Liabilities							
Accounts payable and accrued liabilities[1]		**(26)**	**(5)**	**–**	**(35)**	**(22)**	**(88)**
Provisions and other liabilities		**–**	**(25)**	**(3)**	**(1)**	**(1)**	**(30)**
Long-term debt		**–**	**–**	**–**	**–**	**(37)**	**(37)**
Long-term debt - lease obligations		**(10)**	**(29)**	**(13)**	**(29)**	**(33)**	**(114)**
Asset retirement obligations	17	**–**	**(34)**	**(40)**	**(7)**	**(8)**	**(89)**
Deferred tax liability		**(59)**	**(19)**	**–**	**(14)**	**(1)**	**(93)**
		(95)	**(112)**	**(56)**	**(86)**	**(102)**	**(451)**
Goodwill arising on acquisition[2]	9	**136**	**11**	**–**	**42**	**30**	**219**
Net assets acquired		**318**	**165**	**156**	**118**	**78**	**835**
Fair value of purchase consideration							
Cash paid less cash acquired[5]		**317**	**78**	**156**	**92**	**77**	**720**
Deferred consideration		**–**	**80**	**–**	**–**	**–**	**80**
Common shares issued on acquisition[3]		**–**	**–**	**–**	**26**	**–**	**26**
Working capital adjustment		**1**	**7**	**–**	**–**	**1**	**9**
Purchase consideration		**318**	**165**	**156**	**118**	**78**	**835**

(1) The gross amounts of accounts receivable, accounts payable and accrued liabilities represent their fair value and the amounts that are expected to be collected or paid at the acquisition date.
(2) Goodwill represents the value of integration synergies, growth opportunities, a strong management team and an assembled workforce. Goodwill arising from share acquisitions is not deductible for tax purposes.
(3) Fair value of the common shares issued was determined based on the trading price of Parkland's shares at the closing date.
(4) Intangible assets acquired comprise trade names, franchise agreements, customer relationships, concession agreements, and non-compete agreements, with useful lives ranging from 1 to 30 years.
(5) The total cash acquired from acquisitions for the year ended December 31, 2022 was $21.

Since the acquisition date, sales and operating revenue of $915 and net earnings (loss) of $9 attributable to the business combinations are included in the consolidated statements of comprehensive income (loss). The estimated consolidated sales and operating revenue and consolidated net earnings (loss) would have been approximately $36,170 and $353, respectively, for the year ended December 31, 2022, if these business combinations were completed on January 1, 2022. Although these amounts represent Parkland's best estimate, there can be no assurance that these would have been the actual results had the business combinations occurred on January 1, 2022.

(b) 2021 Acquisitions

2021 USA Acquisitions

Parkland completed the acquisition of: (i) the assets of Story Distributing Company and its affiliates (collectively, "Story"), a retail and commercial fuel business based in Bozeman, Montana, on February 1, 2021; (ii) all of the issued and outstanding equity interests of Conrad & Bischoff Inc. and its related companies (collectively, "C&B"), a retail, commercial, wholesale and lubricants business based in Idaho Falls, Idaho, on April 7, 2021; (iii) certain assets and liabilities of Red Carpet Carwash ("Red Carpet"), a retail business headquartered in Bismarck, North Dakota, on August 31, 2021; (iv) certain assets and liabilities of Master Petroleum ("Master"), a commercial fuel distributor based in Rifle, Colorado, on August 31, 2021; (v) certain assets and liabilities of Bradenton Fuel Oil ("Bradenton"), a commercial fuel and lubricants distributor in Bradenton, Florida, on September 10, 2021; (vi) substantially all of the assets of Urbieta Oil Co. and certain of its affiliates (collectively, "Urbieta"), a fuel distributor and convenience store operator based in Miami, Florida, on December 10, 2021; and (vii) substantially all of the assets of Lynch Oil and certain of its affiliates (collectively, "Lynch"), a retail, wholesale, and distribution business based in Burley, Idaho, on December 15, 2021, (collectively the "2021 USA Acquisitions"). The 2021 USA Acquisitions establish or expand Parkland's geographic presence in the respective markets of each acquisition, strengthen our supply advantage, and provide growth opportunities.

2021 International Acquisitions

Parkland completed the acquisition of (i) 50% indirect ownership in Isla Dominicana de Petroleo Corp. ("Isla"), through Parkland's subsidiaries on July 1, 2021, consisting of retail locations and commercial and aviation marketing operations (see Note 11 for further details), and (ii) all of the issued and outstanding equity interests of Gulfstream Petroleum SXM B.V. ("GP"), an integrated fuel marketing business in St. Maarten, on July 17, 2021, which positions Parkland as a leading fuel marketer in St. Maarten.

The 2021 USA Acquisitions and the acquisition of GP were accounted for as individually separate business combinations, and the aggregate preliminary fair values of the identifiable assets acquired and liabilities assumed as well as the purchase consideration transferred for these acquisitions are presented below. Parkland classified its interest in Isla as a joint venture and measures its investment using the equity method of accounting (see Note 11 for further details).

2021 Other asset acquisitions

Parkland completed certain other acquisitions primarily consisting of (i) two Midwest liquid petroleum gas ("LPG") terminals in January 2021, expanding on the existing integrated logistics business and enhancing Parkland's overall LPG supply optionality and (ii) a supply agreement with Isla in July 2021.

($ millions, unless otherwise stated)

		Asset acquisitions	Business combinations[3]			
	Note	Total	Urbieta	C&B	Others	Total
Assets						
Accounts receivable[1]		—	5	15	30	50
Prepaid expenses and other		—	—	1	—	1
Inventories		1	4	39	11	55
Property, plant and equipment		36	282	98	116	532
Property, plant and equipment - right-of-use assets		—	108	3	20	131
Intangible assets		81	36	51	83	251
Other long-term assets		—	—	—	1	1
Deferred tax asset		—	—	—	4	4
		118	435	207	265	1,025
Liabilities						
Accounts payable and accrued liabilities[1]		—	(25)	(30)	(6)	(61)
Provisions and other liabilities		(9)	—	(3)	—	(12)
Long-term debt - lease obligations		—	(108)	(3)	(20)	(131)
Asset retirement obligations	17	(1)	(15)	(5)	(10)	(31)
Deferred tax liability		—	(5)	(7)	(13)	(25)
		(10)	(153)	(48)	(49)	(260)
Goodwill arising on acquisition[2]		—	44	110	181	335
Net assets acquired		108	326	269	397	1,100
Fair value of purchase consideration transferred						
Cash paid on acquisition date, less cash assumed		108	297	267	365	1,037
Common shares issued on acquisition[4]		—	33	—	20	53
Contribution of assets		—	—	—	8	8
Working capital adjustment		—	(4)	2	4	2
Purchase consideration transferred		108	326	269	397	1,100

[1] The gross amounts of accounts receivable, accounts payable and accrued liabilities represent their fair value and the amounts that are expected to be collected or paid at the acquisition date.
[2] Goodwill represents the value of integration synergies, growth opportunities, a strong management team and an assembled workforce and is fully deductible for tax purposes.
[3] Includes the 2021 USA Acquisitions and GP acquisition, which were accounted for as individually separate business combinations.
[4] Common shares issued on acquisition includes 969 thousand for Urbieta and 560 thousand for other acquisitions.

(c) Other information

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

For the years ended	**December 31, 2022**	December 31, 2021
Acquisition costs	**31**	30
Integration costs	**64**	8
Restructuring and other costs[1]	**22**	14
Acquisition, integration and other costs	**117**	52

[1] Restructuring and other costs for the year ended December 31, 2022 include $16 (2021 - $5) in restructuring costs.

($ millions, unless otherwise stated)

21. OPERATING COSTS AND MARKETING, GENERAL AND ADMINISTRATIVE EXPENSES

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

For the years ended	December 31, 2022			December 31, 2021		
	Operating costs[1]	Marketing, general and administrative[1]	Total	Operating costs[1]	Marketing, general and administrative[1]	Total
Employee costs	414	328	742	306	246	552
Other lease expenses	75	6	81	64	5	69
Other operating costs	987	–	987	739	—	739
Other marketing, general and administrative expenses	–	219	219	—	155	155
	1,476	553	2,029	1,109	406	1,515

[1] Operating costs and marketing, general and administrative expenses are both presented net of Canada Emergency Wage Subsidy of nil and nil, respectively (2021 - $5 ($4 net of tax) and $5 ($4 net of tax), respectively).

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

22. FINANCE COSTS

For the years ended	Note	December 31, 2022	December 31, 2021
Interest on leases	7	38	29
Interest on long-term debt		257	194
Loss on modification of long-term debt[1]		2	77
Amortization, accretion and other finance costs		34	23
		331	323

[1] The loss on modification of long-term debt for the year ended December 31, 2022 includes (i) modification premiums and credit facility modification costs of $2 (2021 - $67), and (ii) amortization of deferred financing costs net of amortization of premiums on redemption options of nil (2021 - $10) on the redeemed senior notes.

23. OTHER (GAINS) AND LOSSES

For the years ended	Note	December 31, 2022	December 31, 2021
Change in redemption value of Sol Put Option	17	(30)	87
Change in fair value of Redemption Options	15	67	86
Other		(14)	17
		23	190

($ millions, unless otherwise stated)

24. INCOME TAXES

(a) Income tax expense (recovery)

For the years ended	**December 31, 2022**	December 31, 2021
Current tax:		
Tax on net earnings (loss) for the year	**91**	87
Adjustments in respect of prior years and other	**(1)**	(44)
Current income tax expense (recovery)	**90**	43
Deferred tax:		
Origination and reversal of temporary differences	**(29)**	(54)
Change in enacted tax rates	**1**	3
Adjustments in respect of prior years and other	**8**	44
Deferred income tax expense (recovery)	**(20)**	(7)
Income tax expense (recovery)	**70**	36

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

For the years ended	**December 31, 2022**	December 31, 2021
Canada	**313**	72
United States	**(90)**	7
Other countries[1]	**193**	83
Earnings (loss) before income taxes	**416**	162
Blended statutory tax rate[2]	**11%**	6%
Tax calculated at blended statutory tax rate	**47**	10
Tax effects of:		
Changes in fair value of Sol put option	**(7)**	21
Non-deductible expenses	**3**	5
Change in enacted tax rates	**1**	3
Derecognition of unusable tax assets	**17**	—
Other items	**9**	(3)
Income tax expense (recovery)	**70**	36

(1) Includes earnings before income taxes earned in geographic locations outside of Canada and the United States.
(2) The blended statutory rate is derived based on income earned in various countries and changes in enacted tax rates.

(b) Deferred income taxes

	December 31, 2022	December 31, 2021
Deferred tax assets	**197**	196
Deferred tax liabilities	**(414)**	(337)
Net deferred tax assets (liabilities)	**(217)**	(141)

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

	Note	**2022**	2021
Net deferred tax assets (liabilities), as at January 1		**(141)**	(143)
Acquisitions	20	**(86)**	(21)
Contributions to joint ventures	11	**–**	14
Deferred income tax (expense) recovery recognized in net earnings (loss)		**20**	7
Recognized in other comprehensive income (loss)		**(1)**	6
Other items		**(9)**	(4)
Net deferred tax assets (liabilities), as at December 31		**(217)**	(141)

($ millions, unless otherwise stated)

The movement in deferred income tax assets (liabilities) and deferred income tax expense (recovery) is as follows:

	Consolidated statements of comprehensive income (loss)		Consolidated balance sheets	
	Years ended December 31,		As at December 31,	
	2022	2021	**2022**	2021
Property, plant and equipment	**31**	63	**(383)**	(317)
Intangible assets and goodwill	**(13)**	(14)	**(137)**	(63)
Asset retirement and other obligations	**(14)**	2	**130**	93
Right-of-use assets	**41**	9	**(172)**	(123)
Lease liabilities	**(47)**	(9)	**192**	138
PSUs and DSUs	**(4)**	(2)	**20**	16
Loss carryforwards	**11**	(41)	**114**	122
Embedded derivatives	**(16)**	(19)	**2**	(14)
Other items	**(9)**	(2)	**17**	7
	(20)	(13)	**(217)**	(141)

As at December 31, 2022, Parkland has capital losses that arose in Canada of $42 (December 31, 2021 - $48), primarily from the settlement of the foreign exchange hedge contract in connection with the acquisition of Chevron Canada R & M ULC on October 1, 2017. This capital loss balance is available indefinitely and can be used to offset future capital gains. No deferred tax asset is recognized as it is not probable that capital gains will be available against which the capital loss can be utilized.

As at December 31, 2022, Parkland has non-capital losses available to offset income for tax purposes of $687, of which $294 has an indefinite expiry and $393 expires over the next 20 years (December 31, 2021 - $657, of which $248 has an indefinite expiry and $409 expires over the next 20 years). Where there is the potential that certain losses may not be utilized in the future, a deferred tax asset has not been recognized on these losses.

25. RELATED PARTY TRANSACTIONS

Principal subsidiaries

As at December 31, 2022, details of Parkland's principal operating and wholly owned subsidiaries are as follows:

Name	Country of operation	Related reporting segment
Parkland Refining (B.C.) Ltd.	Canada	Refining
Elbow River Marketing Ltd.	Canada	Canada
M&M Meat Shops Ltd.	Canada	Canada
Parkland Terminals of Eastern Canada Inc.	Canada	Canada
Parkland USA Corporation[1]	United States	USA
Superpumper Inc.	United States	USA
Conrad & Bischoff, LLC	United States	USA
Rhinehart Oil Co., LLC	United States	USA
Parkland (U.S.) Supply Corporation	United States	USA
Tropic Oil Company LLC	United States	USA
Sol Investments SEZC	Various	International

[1] Farstad Oil Inc. changed its name to Parkland USA Corporation effective May 11, 2022.

Key management compensation

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

For the years ended	**December 31, 2022**	December 31, 2021
Salaries and short-term employee benefits	**11**	11
Share-based payments	**8**	8
	19	19

($ millions, unless otherwise stated)

The liability balance for the annual incentive plan and share-based compensation to key management personnel, including DSUs outstanding, was $15 as at December 31, 2022 (December 31, 2021 - $15). A clawback policy is in place to recoup variable compensation in the event of a financial restatement, gross negligence, fraud or intentional misconduct.

Transactions with other related parties

For the years ended	December 31, 2022	December 31, 2021
Investment in associates		
Fuel revenue	**535**	301
Cost of purchases	**303**	197
Investment in joint ventures		
Fuel revenue[1]	**651**	216

[1] For the year ended December 31, 2021, the fuel revenue is from the date of acquisition. See Note 11 for further details.

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	December 31, 2022	December 31, 2021
Investment in associates		
Accounts payable	**29**	22
Accounts receivable	**23**	26
Investment in joint ventures		
Accounts payable	**2**	6
Accounts receivable	**32**	17

26. SEGMENT AND OTHER INFORMATION

Operating segments

Parkland's reportable operating segments are differentiated by the nature of their products, services, and geographic boundaries. Parkland also reports activities not directly attributable to an operating segment under Corporate. The supply, wholesale and logistics businesses, formerly presented in the Supply segment, are now included in the Canada segment, reflecting a change in organizational structure in the year ended December 31, 2022, and following the change, the Supply segment has been renamed to "Refining" as it only includes the results of the Burnaby Refinery. No operating segments have been aggregated into reportable segments. The operations in each segment are defined as follows:

Canada

Canada owns, supplies, and supports a coast-to-coast network of retail gas stations, electronic vehicle ("EV") charging stations, frozen food retail locations, convenience stores, cardlock sites, bulk fuel, propane, heating oil, lubricants, and other related services to commercial, industrial, and residential customers. Canada's retail business operates under its leading food and convenience store brands, M&M Food Market and On the Run / Marché Express, providing locally relevant food offerings and convenience merchandise, and key retail fuel brands, including: Ultramar, Esso, Chevron, Pioneer and Fas Gas Plus. Canada also serves its commercial customer base through a family of brands, including Ultramar, Bluewave Energy, Pipeline Commercial, Chevron, Columbia Fuels, and Sparlings Propane. Canada is also responsible for managing fuel supply contracts, marketing fuel, transporting and distributing fuel through ships, rail and highway carriers, and storing fuel in terminals and other owned and leased facilities. Additionally, Canada engages in low-carbon activities, such as emission credit and renewable fuel trading transactions and blending of low-carbon-intensity fuels (bio-diesel, ethanol and others) to produce greener fuels resulting in emission credits. Within the Canada segment, Parkland tracks the results from renewable and conventional business activities separately.

International

International includes operations in 23 countries predominantly located in the Caribbean and the northeast coast of South America. International operates and services a network of retail service stations under brands including Sol, Esso, Mobil, Shell and Texaco and owns the Sol Shop convenience store brand. International also serves commercial, industrial and aviation businesses. International also includes an investment in the SARA refinery, an associate entity that is based in Martinique with operations to sell refined crude oil in Guadeloupe, French Guiana and Martinique, and a 50% indirect interest in Isla Dominicana de Petroleo Corp. ("Isla"), a joint venture comprising approximately 236 retail locations alongside an integrated commercial and aviation business in the Dominican Republic.

USA

USA delivers fuel, lubricants and other related products and services to commercial and wholesale customers, and operates a network of retail fuel and convenience stores under various brands, including On the Run, Arco, Cenex, Chevron, Conoco, Exxon, and other brands, and cardlocks under various brands throughout the United States. USA operates a wide variety of terminals, storage facilities and trucks, and contracts with pipeline, storage facilities and third-party carriers to support its network.

Refining

Refining represents the operations of the Burnaby Refinery owned and operated by Parkland. Refining is responsible for the refining of fuel products such as gasoline, diesel and jet fuel, and is also engaged in renewable business activities, such as co-processing of bio-feedstocks (i.e. tallow, canola oil, tall oil and others) and blending of low-carbon-intensity fuels (bio-diesel, ethanol and others) with gasoline and diesel to produce greener fuels resulting in emission credits. Within the Refining segment, Parkland tracks the results of renewable and conventional business activities separately.

Corporate

Corporate includes the costs of centralized administrative services and expenses incurred to support operations. Certain Corporate costs are allocated to the other divisions that include direct costs attributable to operating segments as well as other non-direct costs incurred by Corporate. Allocations of non-direct costs are based on the consumption of Corporate administrative resources by operating segments estimated using various cost drivers such as headcount and time spent by Corporate employees to support the operating segments. The remaining costs in Corporate are not allocated to Parkland's operating segments due to their nature.

General information

Depreciation and amortization, finance costs, acquisition, integration and other costs, (gain) loss on risk management and other — unrealized unless underlying physical sales activity has occurred, (gain) loss on foreign exchange — unrealized, other (gains) and losses and income taxes are not allocated to segments because they are not reviewed as part of segment information by the chief operating decision maker. Accordingly, there are certain asymmetries in the allocation of net earnings (loss) to segments with respect to these items.

The segregation of total assets and total liabilities is not practical, as the balance sheets of the reportable segments are not presented to or reviewed by the chief operating decision maker. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Parkland's chief operating decision maker uses (i) adjusted earnings (loss) before interest, tax, depreciation and amortization ("Adjusted EBITDA"), and (ii) adjusted gross margin (including fuel and petroleum product adjusted gross margin, and food, convenience and other adjusted gross margin) as measures of segment profit under IFRS 8 as follows:

- Adjusted EBITDA is used by Parkland as the key measure for the underlying core operating performance of business segment activities at an operational level. Adjusted EBITDA excludes the effects of significant items of income and expenditure that are not considered representative of Parkland's underlying core operating performance and may have an impact on the quality of net earnings (loss). Such items include, among other items: (i) costs related to potential and completed acquisitions, (ii) non-core acquisition and integration employee costs, (iii) business integration and restructuring costs, (iv) changes in the fair value of share-based compensation liabilities, (v) unrealized gains and losses on (a) foreign exchange, (b) risk management assets and liabilities unless they relate to underlying physical sales activity in the current period, and (c) Intermediation Facility Derivatives and other derivatives, (vi) realized foreign exchange gains and losses as a result of cash pooling arrangements and refinancing activities, (vii) realized foreign exchange gains and losses on accrued financing costs in foreign currency and the offsetting realized risk management gains and losses on the related foreign exchange risk management and other, (viii) changes in values of the Sol Put Option, Redemption Options, environmental liabilities and asset retirement obligations, (ix) loss on inventory write-downs for which there are offsetting associated risk management and other with unrealized gains, (x) impairments of non-current assets, (xi) loss on modification of long-term debt, (xii) earnings impact from hyperinflation accounting, (xiii) certain realized gains and losses on risk management assets and liabilities that are related to underlying physical sales activity in another period, (xiv) gains and losses on asset disposals, and (xv) other adjusting items. Adjusted EBITDA is also adjusted to include Parkland's proportionate share of its joint-venture investees' Adjusted EBITDA. Effective August 4, 2022, when Parkland entered into the share exchange agreement with Simpson Oil Limited to acquire the remaining 25% shares of Sol Investments SEZC, Parkland does not allocate a portion of segment profit or loss to NCI and includes 100 per cent of International results as Adjusted EBITDA.

- Adjusted gross margin is used by Parkland to analyze the performance of sale and purchase transactions and performance on margin for each operating segment. Adjusted gross margin excludes the effects of significant items of income and expenditure that are not considered representative of Parkland's underlying core margin performance and may have an impact on the quality of margins, such as (i) unrealized gains and losses on (a) foreign exchange, (b) risk management and other unless underlying physical sales activity has occurred, and (c) Intermediation Facility Derivatives and other derivatives, (ii) loss on inventory write-downs for which there are offsetting associated risk management and other with unrealized gains, (iii) certain realized gains and losses on risk management assets and liabilities that are related to underlying physical sales activity in another period, and (iv) other adjusting items.

Lines of business

In addition to the reportable operating segments disclosed above, Parkland also voluntarily discloses business performance by line of business. The operations in each line of business are defined as follows:

Retail

Retail line of business includes the operations of Parkland retail service stations, including EV charging stations, and convenience and food stores operating under various brands as well as the sale of fuel to dealers across Canada, the United States and the Caribbean, including the related retail fuel supply margins.

Commercial

Commercial includes the operations of cardlock sites, bulk fuel, propane, heating oil, lubricants, and other related services to commercial, industrial, aviation, and residential customers as well as fuel supply and wholesale transactions.

Refining

Refining includes the operations of the Burnaby Refinery owned and operated by Parkland.

Corporate

Corporate includes centralized administrative services and expenses incurred to support global operations and enterprise-wide functions that cannot be reasonably allocated to Parkland's remaining lines of business due to their nature.

Segment information	**Canada**		**International**		**USA**		**Refining**		**Corporate**		**Intersegment eliminations**		**Consolidated**	
For the year ended December 31,	**2022**	2021[4]	**2022**	2021[4]	**2022**	2021[4]	**2022**	2021[4]	**2022**	2021[4]	**2022**	2021	**2022**	2021
External fuel and petroleum product volume	**13,156**	12,686	**6,567**	5,296	**6,063**	5,151	**1,250**	767	**–**	–	**–**	–	**27,036**	23,900
Internal fuel and petroleum product volume	**358**	327	**–**	–	**84**	–	**2,815**	2,576	**–**	–	**(3,257)**	(2,903)	**–**	–
Total fuel and petroleum product volume (million litres)	**13,514**	13,013	**6,567**	5,296	**6,147**	5,151	**4,065**	3,343	**–**	–	**(3,257)**	(2,903)	**27,036**	23,900
Sales and operating revenue[1]														
Revenue from external customers	**16,832**	11,271	**8,708**	4,870	**8,651**	4,811	**1,271**	516	**–**	–	**–**	–	**35,462**	21,468
Inter-segment revenue	**420**	244	**–**	–	**109**	–	**3,619**	2,228	**1**	–	**(4,149)**	(2,472)	**–**	–
Total sales and operating revenue	**17,252**	11,515	**8,708**	4,870	**8,760**	4,811	**4,890**	2,744	**1**	–	**(4,149)**	(2,472)	**35,462**	21,468
Cost of purchases[5]	**15,716**	10,302	**7,867**	4,201	**8,051**	4,367	**3,955**	2,114	**–**	–	**(4,148)**	(2,472)	**31,441**	18,512
Adjusted gross margin														
Fuel and petroleum product adjusted gross margin, before the following:	**1,209**	1,009	**735**	583	**489**	275	**925**	621	**–**	–	**–**	–	**3,358**	2,488
Gain (loss) on risk management and other - realized	**10**	2	**(138)**	(73)	**(85)**	(21)	**(123)**	(22)	**–**	–	**–**	–	**(336)**	(114)
Gain (loss) on foreign exchange - realized	**1**	(1)	**(7)**	(1)	**–**	–	**(12)**	2	**2**	3	**–**	–	**(16)**	3
Other adjusting items to adjusted gross margin[2]	**–**	–	**1**	(3)	**–**	–	**4**	–	**2**	1	**–**	–	**7**	(2)
Fuel and petroleum product adjusted gross margin	**1,220**	1,010	**591**	506	**404**	254	**794**	601	**4**	4	**–**	–	**3,013**	2,375
Food, convenience and other adjusted gross margin	**327**	204	**106**	86	**220**	169	**10**	9	**1**	–	**(1)**	–	**663**	468
Total adjusted gross margin	**1,547**	1,214	**697**	592	**624**	423	**804**	610	**5**	4	**(1)**	–	**3,676**	2,843
Operating costs	**626**	507	**186**	146	**393**	223	**271**	233	**–**	–	**–**	–	**1,476**	1,109
Marketing, general and administrative	**221**	146	**98**	83	**105**	68	**17**	15	**113**	94	**(1)**	–	**553**	406
Share in (earnings) loss of associates and joint ventures	**–**	–	**(21)**	(16)	**–**	–	**–**	–	**–**	–	**–**	–	**(21)**	(16)
Other adjusting items to Adjusted EBITDA[3]	**(2)**	(1)	**(16)**	(13)	**–**	–	**–**	–	**(1)**	–	**–**	–	**(19)**	(14)
Adjusted EBITDA including NCI	**702**	562	**450**	392	**126**	132	**516**	362	**(107)**	(90)	**–**	–	**1,687**	1,358
Attributable to NCI	**–**	–	**67**	98	**–**	–	**–**	–	**–**	–	**–**	–	**67**	98
Adjusted EBITDA attributable to Parkland ("Adjusted EBITDA")	**702**	562	**383**	294	**126**	132	**516**	362	**(107)**	(90)	**–**	–	**1,620**	1,260
Reconciliation to net earnings (loss)														
Adjusted EBITDA including NCI													**1,687**	1,358
Acquisition, integration and other costs													**117**	52
Depreciation and amortization													**743**	616
Finance costs													**331**	323
(Gain) loss on foreign exchange – unrealized													**(8)**	(7)
(Gain) loss on risk management and other – unrealized													**39**	10
Other (gains) and losses													**23**	190
Other adjusting items[3]													**26**	12
Income tax expense (recovery)													**70**	36
Net earnings (loss)													**346**	126

(1) See sections (c) and (d) for further details on sales and operating revenue.
(2) Other adjusting items to adjusted gross margin mainly include $4 (2021 - nil) of realized risk management loss related to underlying physical sales activity in another period.
(3) Other adjusting items to Adjusted EBITDA mainly include the share of depreciation and income taxes for the Isla joint venture of $11 (2021 - $7). See Note 11 for further details.
(4) For comparative purposes, information for the year ended December 31, 2021 was restated due to a change in segment presentation as described in Note 2(e). Additionally, certain amounts within sales and operating revenue, cost of purchases, and Marketing, general and administrative were restated and reclassified to conform to the presentation used in the current period.
(5) Cost of purchases of the Refining segment includes a realized loss of nil (2021 - $16) relating to the Intermediation Facility Derivatives.

(a) Renewable and Conventional results

Canada and Refining segments are involved in renewable fuel trading, co-processing and blending of low-carbon-intensity feedstocks to produce greener fuels and generate emission credits. The results of Renewable and Conventional operations are as follows:

	Canada						Refining					
	Renewable		Conventional		Total		Renewable		Conventional		Total	
For the year ended December 31,	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
Fuel and petroleum product volume (million litres)[1]	**586**	528	**12,928**	12,485	**13,514**	13,013	**–**	—	**4,065**	3,343	**4,065**	3,343
Sales and operating revenue	**871**	568	**17,252**	11,515	**18,123**	12,083	**418**	303	**4,700**	2,680	**5,118**	2,983
Eliminations[2]					**(871)**	(568)					**(228)**	(239)
Sales and operating revenue - after eliminations[3]					**17,252**	11,515					**4,890**	2,744
Cost of purchases	**841**	542	**15,746**	10,328	**16,587**	10,870	**373**	219	**3,810**	2,134	**4,183**	2,353
Eliminations[2]					**(871)**	(568)					**(228)**	(239)
Cost of purchases - after eliminations[3]					**15,716**	10,302					**3,955**	2,114
Adjusted gross margin												
Fuel and petroleum product adjusted gross margin, before the following:	**30**	26	**1,179**	983	**1,209**	1,009	**45**	84	**880**	537	**925**	621
Gain (loss) on risk management and other - realized	**7**	10	**3**	(8)	**10**	2	**–**	—	**(123)**	(22)	**(123)**	(22)
Gain (loss) on foreign exchange - realized	**1**	—	**–**	(1)	**1**	(1)	**–**	—	**(12)**	2	**(12)**	2
Other adjusting items to adjusted gross margin	**–**	—	**–**	—	**–**	—	**–**	—	**4**	—	**4**	—
Fuel and petroleum product adjusted gross margin	**38**	36	**1,182**	974	**1,220**	1,010	**45**	84	**749**	517	**794**	601
Food, convenience and other adjusted gross margin	**–**	—	**327**	204	**327**	204	**–**	—	**10**	9	**10**	9
Total adjusted gross margin	**38**	36	**1,509**	1,178	**1,547**	1,214	**45**	84	**759**	526	**804**	610
Operating costs	**6**	4	**620**	503	**626**	507	**9**	6	**262**	227	**271**	233
Marketing, general and administrative	**4**	1	**217**	145	**221**	146	**1**	—	**16**	15	**17**	15
Other adjusting items to Adjusted EBITDA	**–**	—	**(2)**	(1)	**(2)**	(1)	**–**	—	**–**	—	**–**	—
Adjusted EBITDA	**28**	31	**674**	531	**702**	562	**35**	78	**481**	284	**516**	362

(1) Fuel and petroleum product volume for renewable activities only includes fuel trading volumes and does not include volumes of low-carbon-intensity feedstocks used for co-processing and blending.
(2) Represents elimination of transactions between Renewable and Conventional sub-segments.
(3) Includes both external and inter-segment sales and cost of purchases for Canada and Refining. See Note 26.

	Canada Renewable		Refining Renewable		Total Renewable	
For the year ended December 31,	**2022**	2021	**2022**	2021	**2022**	2021
Adjusted gross margin[1]	**38**	36	**45**	84	**83**	120
Adjusted EBITDA[1]	**28**	31	**35**	78	**63**	109

(1) Adjusted gross margin and Adjusted EBITDA attributable to renewable activities represent our measure of sub-segment profit for the respective sub-segments.

($ millions, unless otherwise stated)

(b) Property, plant, and equipment and intangible assets additions and acquisitions

	Canada		International		USA		Refining		Corporate		Consolidated	
For the year ended December 31,	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
Additions to property, plant and equipment and intangible assets[1]	**158**	177	**90**	60	**81**	51	**122**	87	**52**	21	**503**	396
Attributable to NCI	**—**	—	**9**	15	**—**	—	**—**	—	**—**	—	**9**	15
Additions to property, plant and equipment and intangible assets attributable to Parkland	**158**	177	**81**	45	**81**	51	**122**	87	**52**	21	**494**	381
Property, plant and equipment, intangible asset and goodwill acquisitions[1]	**879**	44	**108**	124	**—**	950	**—**	—	**—**	—	**987**	1,118

[1] Property, plant and equipment additions and acquisitions do not include the right-of-use asset.

(c) Geographic information

Sales and operating revenue for year ended December 31,	**2022**	2021
Canada	**16,547**	10,322
United States	**11,267**	7,318
Other countries	**7,648**	3,828
Total	**35,462**	21,468

	December 31, 2022			
	Canada	**United States**	**Other countries**	**Consolidated**
Property, plant and equipment	**3,038**	**993**	**1,110**	**5,141**
Intangible assets	**822**	**233**	**300**	**1,355**
Goodwill	**1,357**	**552**	**575**	**2,484**
Total	**5,217**	**1,778**	**1,985**	**8,980**

	December 31, 2021			
	Canada	United States	Other countries	Consolidated
Property, plant and equipment	2,551	898	980	4,429
Intangible assets	525	269	289	1,083
Goodwill	1,168	515	508	2,191
Total	4,244	1,682	1,777	7,703

(d) Sales and operating revenue by product

	Canada[6]		International		USA		Refining[6]		Consolidated	
For the year ended December 31,	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
Gasoline and diesel[6]	**14,463**	9,340	**6,751**	3,958	**7,687**	4,103	**280**	173	**29,181**	17,574
Liquid petroleum gas[1]	**684**	679	**115**	88	**30**	19	**—**	—	**829**	786
Other fuel and petroleum products[2][6]	**1,135**	723	**1,678**	699	**120**	50	**981**	333	**3,914**	1,805
Fuel and petroleum product revenue	**16,282**	10,742	**8,544**	4,745	**7,837**	4,172	**1,261**	506	**33,924**	20,165
Food and convenience store[3]	**359**	390	**16**	10	**321**	218	**—**	—	**696**	618
Other retail[4]	**11**	9	**22**	19	**9**	2	**—**	—	**42**	30
Lubricants and other[5][6]	**180**	130	**126**	96	**484**	419	**10**	10	**800**	655
Food, convenience and other non-fuel revenue	**550**	529	**164**	125	**814**	639	**10**	10	**1,538**	1,303
External sales and operating revenue	**16,832**	11,271	**8,708**	4,870	**8,651**	4,811	**1,271**	516	**35,462**	21,468

[1] Liquid petroleum gas includes propane and butane.
[2] Other fuel and petroleum products include crude oil, aviation fuel, asphalt, fuel oils, gas oils, ethanol and biodiesel.
[3] Convenience store revenue generated from Canada, International, and USA depends on the business model operated by each segment, and includes sale of merchandise, suppliers' rebates, rental income from retailers in the form of a percentage rent on convenience store sales, and food revenue generated from frozen food retail locations in Canada.
[4] Other retail revenue include facilities rental revenue, advertising revenue and other miscellaneous retail-related revenues.
[5] Lubricants and other include lubricants, freight, tanks and parts installation, cylinder exchanges, royalties, emission allowances and other products and services.
[6] For comparative purposes, information for the year ended December 31, 2021 was restated due to a change in segment presentation described in Note 2(e). Additionally, certain amounts within sales and operating revenue were restated and reclassified to conform to the presentation used in the current period.

(e) Line of business information

	Retail		Commercial		Refining		Corporate		Eliminations		Consolidated	
For the year ended December 31,	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
Fuel and petroleum product volume (million litres)												
External fuel and petroleum product volume	**10,016**	9,106	**15,770**	14,027	**1,250**	767	**–**	—	**–**	—	**27,036**	23,900
Internal fuel and petroleum product volume	**–**	—	**6,776**	7,314	**2,815**	2,576	**–**	—	**(9,591)**	(9,890)	**–**	—
Total fuel and petroleum product volume	**10,016**	9,106	**22,546**	21,341	**4,065**	3,343	**–**	—	**(9,591)**	(9,890)	**27,036**	23,900
Sales and operating revenue												
Revenue from external customers	**14,806**	9,638	**19,385**	11,314	**1,271**	516	**–**	—	**–**	—	**35,462**	21,468
Inter-business line revenue	**–**	—	**7,935**	5,179	**3,619**	2,228	**1**	—	**(11,555)**	(7,407)	**–**	—
Total sales and operating revenue	**14,806**	9,638	**27,320**	16,493	**4,890**	2,744	**1**	—	**(11,555)**	(7,407)	**35,462**	21,468
Cost of purchases[1]	**13,216**	8,434	**25,824**	15,371	**3,955**	2,114	**–**	—	**(11,554)**	(7,407)	**31,441**	18,512
Adjusted gross margin												
Fuel and petroleum product adjusted gross margin, before the following:	**1,199**	948	**1,234**	919	**925**	621	**–**	—	**–**	—	**3,358**	2,488
Gain (loss) on risk management and other derivatives - realized	**(22)**	—	**(191)**	(92)	**(123)**	(22)	**–**	—	**–**	—	**(336)**	(114)
Gain (loss) on foreign exchange - realized	**–**	—	**(6)**	(2)	**(12)**	2	**2**	3	**–**	—	**(16)**	3
Other adjusting items to adjusted gross margin[2]	**(1)**	—	**2**	(3)	**4**	—	**2**	1	**–**	—	**7**	(2)
Fuel and petroleum product adjusted gross margin	**1,176**	948	**1,039**	822	**794**	601	**4**	4	**–**	—	**3,013**	2,375
Food, convenience and other adjusted gross margin	**391**	256	**262**	203	**10**	9	**1**	—	**(1)**	—	**663**	468
Total adjusted gross margin	**1,567**	1,204	**1,301**	1,025	**804**	610	**5**	4	**(1)**	—	**3,676**	2,843
Operating costs	**596**	448	**609**	428	**271**	233	**–**	—	**–**	—	**1,476**	1,109
Marketing, general and administrative	**188**	117	**236**	180	**17**	15	**113**	94	**(1)**	—	**553**	406
Share in (earnings) loss of associates and joint ventures	**(10)**	(8)	**(11)**	(8)	**–**	—	**–**	—	**–**	—	**(21)**	(16)
Other adjusting items to Adjusted EBITDA[3]	**(12)**	(6)	**(6)**	(8)	**–**	—	**(1)**	—	**–**	—	**(19)**	(14)
Adjusted EBITDA including NCI	**805**	653	**473**	433	**516**	362	**(107)**	(90)	**–**	—	**1,687**	1,358
Attributable to NCI	**32**	46	**35**	52	**–**	—	**–**	—	**–**	—	**67**	98
Adjusted EBITDA	**773**	607	**438**	381	**516**	362	**(107)**	(90)	**–**	—	**1,620**	1,260

[1] Cost of purchases of the Refining segment includes a realized loss of nil (2021- $16) relating to the Intermediation Facility Derivatives.
[2] Other adjusting items to adjusted gross margin mainly include $4 (2021 - nil) of realized risk management loss related to underlying physical sales activity in another period.
[3] Other adjusting items to Adjusted EBITDA mainly include the share of depreciation and income taxes for Isla joint venture of $11 (2021 - $7).

($ millions, unless otherwise stated)

27. CONTINGENCIES AND COMMITMENTS

(a) Legal

Parkland is involved in various legal claims and legal proceedings arising in the ordinary course of business. Although the outcome of such matters cannot be predicted with certainty, management does not consider Parkland's exposure to litigation to be material to these consolidated financial statements. Accruals for litigation, claims and assessments are recognized if Parkland determines that the loss is probable and the amount can be reasonably estimated. Parkland believes it has made adequate provisions for such legal claims.

(b) Commitments

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

December 31, 2022	**2023**	**2024**	**2025**	**2026**	**2027**	**Thereafter**	**Total**
Pipeline commitment[1]	**51**	**51**	**51**	**51**	**51**	**764**	**1,019**
Contractual commitments for the acquisition of property, plant and equipment	**157**	**3**	**–**	**2**	**–**	**–**	**162**
	208	**54**	**51**	**53**	**51**	**764**	**1,181**

[1] The commitment is over the contract term of 20 years, and is contingent upon completion of the pipeline.

December 31, 2021	2022	2023	2024	2025	2026	Thereafter	Total
Pipeline commitment[1]	—	51	51	51	51	815	1,019
Contractual commitments for the acquisition of property, plant and equipment	132	—	—	—	—	—	132
	132	51	51	51	51	815	1,151

[1] The commitment is over the contract term of 20 years, and is contingent upon completion of the pipeline.

In addition to the commitments mentioned above, Parkland has entered into purchase orders and contracts during the normal course of business for the purchase of goods and services, which may terminate on short notice. Such obligations include commodity purchase obligations transacted at market prices. Furthermore, Parkland has entered into various purchase agreements that require it to purchase minimum amounts or quantities of fuel and petroleum products over certain time periods, which vary based on volumes and other factors. Parkland has generally exceeded such minimum requirements in the past and expects to continue doing so for the foreseeable future. Failure to satisfy the minimum purchase requirements could result in the termination of the contracts, change in pricing of products, and payments to the applicable suppliers of a predetermined amount of the commitments.