CU INC.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE THREE MONTHS ENDED MARCH 31, 2019

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CONSOLIDATED STATEMENTS OF EARNINGS

		Three Months Ended March 31	
(millions of Canadian Dollars)	**Note**	**2019**	**2018**
Revenues	5	**759**	751
Costs and expenses			
Salaries, wages and benefits		**(49)**	(51)
Energy transmission and transportation		**(50)**	(44)
Plant and equipment maintenance		**(32)**	(34)
Fuel costs		**(4)**	(5)
Purchased power		**(24)**	(23)
Depreciation and amortization		**(127)**	(122)
Franchise fees		**(74)**	(79)
Property and other taxes		**(16)**	(18)
Other		**(56)**	(58)
		(432)	(434)
Operating profit		**327**	317
Interest income		**4**	4
Interest expense		**(92)**	(89)
Net finance costs		**(88)**	(85)
Earnings before income taxes		**239**	232
Income taxes		**(65)**	(63)
Earnings for the period		**174**	169

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended March 31	
(millions of Canadian Dollars)	**2019**	**2018**
Earnings for the period	**174**	169
Other comprehensive loss, net of income taxes		
Items that will not be reclassified to earnings:		
Re-measurement of retirement benefits [1]	**(9)**	–
Comprehensive income for the period	**165**	169

(1) Net of income taxes of $3 million for the three months ended March 31, 2019 (2018 - nil).

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS

(millions of Canadian Dollars)	Note	March 31 2019	December 31 2018
ASSETS			
Current assets			
Cash		**7**	21
Accounts receivable and contract assets		**383**	366
Accounts receivable from parent and affiliate companies		**45**	39
Long-term advances to affiliate company		**52**	52
Inventories		**18**	15
Prepaid expenses and other current assets		**14**	27
		519	520
Non-current assets			
Property, plant and equipment	6	**15,155**	15,089
Intangibles		**560**	557
Right-of-use assets	3, 7	**7**	–
Long-term advances to affiliate company		**78**	78
Other assets		**13**	11
Total assets		**16,332**	16,255
LIABILITIES			
Current liabilities			
Short-term advances from parent company		**48**	–
Accounts payable and accrued liabilities		**415**	410
Accounts payable to parent and affiliate companies		**28**	42
Lease liabilities	3, 9	**2**	–
Other current liabilities		**6**	6
Short-term debt		**–**	25
Long-term debt	8	**300**	480
		799	963
Non-current liabilities			
Deferred income tax liabilities		**1,370**	1,325
Retirement benefit obligations		**162**	149
Customer contributions		**1,693**	1,683
Lease liabilities	3, 9	**5**	–
Other liabilities		**23**	18
Long-term debt	8	**7,473**	7,472
Total liabilities		**11,525**	11,610
EQUITY			
Equity preferred shares		**187**	187
Equity preferred shares to parent company		**79**	79
Class A and Class B share owner's equity			
Class A and Class B shares		**1,056**	1,056
Retained earnings		**3,485**	3,323
		4,541	4,379
Total equity		**4,807**	4,645
Total liabilities and equity		**16,332**	16,255

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(millions of Canadian Dollars)	Note	Class A and Class B Shares	Equity Preferred Shares	Retained Earnings	Accumulated Other Comprehensive Income	Total Equity
December 31, 2017		1,056	266	3,320	–	4,642
Earnings for the period		–	–	169	–	169
Dividends	10, 11	–	–	(58)	–	(58)
March 31, 2018		1,056	266	3,431	–	4,753
December 31, 2018		1,056	266	3,323	–	4,645
Earnings for the period		**–**	**–**	**174**	**–**	**174**
Other comprehensive loss		**–**	**–**	**–**	**(9)**	**(9)**
Losses on retirement benefits transferred to retained earnings		**–**	**–**	**(9)**	**9**	**–**
Dividends	10	**–**	**–**	**(3)**	**–**	**(3)**
March 31, 2019		**1,056**	**266**	**3,485**	**–**	**4,807**

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Three Months Ended March 31	
(millions of Canadian Dollars)	**Note**	**2019**	**2018**
Operating activities			
Earnings for the period		**174**	169
Adjustments to reconcile earnings to cash flows from operating activities	12	**294**	278
Changes in non-cash working capital		**(36)**	(9)
Cash flows from operating activities		**432**	438
Investing activities			
Additions to property, plant and equipment		**(178)**	(217)
Additions to intangibles		**(14)**	(13)
Changes in non-cash working capital		**(13)**	(30)
Other		**–**	1
Cash flows used in investing activities		**(205)**	(259)
Financing activities			
Repayment of short-term debt		**(25)**	–
Repayment of long-term debt	8	**(180)**	–
Repayment of lease liabilities	9	**(1)**	–
Dividends paid on equity preferred shares	10	**(3)**	(3)
Dividends paid to Class A and Class B share owner	11	**–**	(55)
Interest paid		**(81)**	(82)
Interest received from parent and affiliate companies		**1**	2
Cash flows used in financing activities		**(289)**	(138)
(Decrease) increase in cash position		**(62)**	41
Beginning of period		**21**	26
End of period	12	**(41)**	67

See accompanying Notes to Unaudited Interim Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

MARCH 31, 2019

(Tabular amounts in millions of Canadian Dollars, except as otherwise noted)

1. THE COMPANY AND ITS OPERATIONS

CU Inc. was incorporated under the laws of Canada and its debt and equity preferred shares are listed on the Toronto Stock Exchange. Its head office and registered office is at 4th Floor, West Building, 5302 Forand Street SW, Calgary, Alberta T3E 8B4. The Company is controlled by Canadian Utilities Limited, which in turn is principally controlled by ATCO Ltd. and its controlling share owner, the Southern family.

CU Inc. is engaged in the following business activities:

- Electricity (electricity distribution, transmission and infrastructure development); and
- Pipelines & Liquids (natural gas transmission, distribution and infrastructure development).

The unaudited interim consolidated financial statements include the accounts of CU Inc. and its subsidiaries (the Company).

2. BASIS OF PRESENTATION

STATEMENT OF COMPLIANCE

The unaudited interim consolidated financial statements are prepared according to International Accounting Standard (IAS) 34 Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and IFRS Interpretations Committee (IFRIC). They do not include all the disclosures required in annual consolidated financial statements and should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2018, prepared according to IFRS.

The unaudited interim consolidated financial statements are prepared following the same accounting policies used in the Company's most recent annual consolidated financial statements, except for the change in accounting policy described in Note 3 and income taxes. In interim periods, income taxes are accrued using an estimate of the annualized effective tax rate applied to year-to-date earnings.

The unaudited interim consolidated financial statements were authorized for issue by the Audit Committee, on behalf of the Board of Directors, on April 24, 2019.

BASIS OF MEASUREMENT

The unaudited interim consolidated financial statements are prepared on a historic cost basis, except for retirement benefit obligations and cash-settled share-based compensation liabilities which are carried at remeasured amounts or fair value.

Revenues, earnings and adjusted earnings for any quarter are not necessarily indicative of operations on an annual basis. Quarterly financial results may be affected by the seasonal nature of the Company's operations and the timing of utility rate decisions.

Certain comparative figures have been reclassified to conform to the current presentation.

3. CHANGE IN ACCOUNTING POLICY

LEASES

The Company adopted IFRS 16 *Leases* on January 1, 2019, which introduces a new approach to lease accounting. The Company adopted the standard using the modified retrospective approach, which does not require restatement of prior period financial information, as it recognizes the cumulative impact on the opening balance sheet and applies the standard prospectively. Accordingly, the comparative information in these unaudited interim consolidated financial statements is not restated.

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. This policy is applied to contracts entered into, or modified, on or after January 1, 2019.

Practical expedients

Effective January 1, 2019, the IFRS 16 transition date, the Company elected to use the following practical expedients under the modified retrospective transition approach:

- Leases with lease terms of less than twelve months (short-term leases) and leases of low-value assets (less than $5,000 U.S. dollars) (low-value leases) that have been identified at transition, were not recognized in the consolidated balance sheet;
- Right-of-use assets on transition were measured at the amount equal to the lease liabilities at transition, adjusted by the amount of any prepaid or accrued lease payments;
- For certain leases having associated initial direct costs, the Company, at initial measurement on transition, excluded these directs costs from the measurement of the right-of-use assets; and
- Any provision for onerous lease contracts previously recognized at the date of adoption of IFRS 16, has been applied to the associated right-of-use asset recognized upon transition.

The Company as a lessee

Where the Company is a lessee, a right-of-use asset representing the right to use the underlying asset with a corresponding lease liability is recognized when the leased asset becomes available for use by the Company.

The right-of-use asset is recognized at cost and is depreciated on a straight-line basis over the shorter of the estimated useful life of the asset and the lease term on a straight-line basis. The cost of the right-of-use asset is based on the following:

- the amount of initial recognition of related lease liability;
- adjusted by any lease payments made on or before inception of the lease;
- increased by any initial direct costs incurred; and
- decreased by lease incentives received and any costs to dismantle the leased asset.

The lease term includes consideration of an option to extend or to terminate if the Company is reasonably certain to exercise that option. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

Lease liabilities are initially recognized at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. Subsequent to recognition, lease liabilities are measured at amortized cost using the effective interest rate method. Lease liabilities are remeasured when there is a change in future lease payments arising mainly from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, renewal or termination option.

The payments related to short-term leases and low-value leases are recognized as other expenses over the lease term in the unaudited interim consolidated statements of earnings.

Significant accounting estimates and assumptions

In the situation where the implicit interest rate in the lease is not readily determined, the Company uses judgment to estimate the incremental borrowing rate for discounting the lease payments. The Company's incremental borrowing rate generally reflects the interest rate that the Company would have to pay to borrow a similar amount at a similar term and with a similar security. The Company estimates the lease term by considering the facts and circumstances that create an economic incentive to exercise an extension or termination option. Certain qualitative and quantitative assumptions are used when evaluating these incentives.

The Company as a lessor

The Company's unaudited interim consolidated financial statements were not impacted by the adoption of IFRS 16 *Leases* in relation to lessor accounting. Lessors will continue with the dual classification model for recognized leases with the resultant accounting remaining unchanged from IAS 17 *Leases*.

IMPACT OF CHANGES IN ACCOUNTING POLICY

Impact of adoption of IFRS 16 on unaudited interim consolidated financial statements

On January 1, 2019, the Company recognized $8 million of right-of-use assets and $8 million of lease liabilities. The Company applied its weighted average incremental borrowing rate at January 1, 2019, 3.00 per cent, to determine the amount of lease liabilities. The effect of the adjustment to the amounts recognized in the Company's unaudited interim consolidated balance sheet at January 1, 2019 is shown below.

(millions of Canadian Dollars)	Note	December 31, 2018, as previously reported	IFRS 16 re-measurement adjustments on January 1, 2019	Restated
ASSETS				
Non-current assets				
Right-of-use assets	7	–	8	8
Total assets		16,255	8	16,263
LIABILITIES				
Current liabilities				
Lease liabilities	9	–	2	2
Non-current liabilities				
Lease liabilities	9	–	6	6
Total liabilities		11,610	8	11,618
EQUITY				
Equity preferred shares		187	–	187
Equity preferred shares to parent company		79	–	79
Class A and Class B share owner's equity				
Class A and Class B shares		1,056	–	1,056
Retained earnings		3,323	–	3,323
		4,379	–	4,379
Total equity		4,645	–	4,645
Total liabilities and equity		16,255	8	16,263

The reconciliation of differences between the operating lease commitments disclosed at December 31, 2018 (when applying IAS 17 *Leases*), discounted using the weighted average incremental borrowing rate at January 1, 2019, and the lease liabilities recognized upon adoption of IFRS 16 *Leases*, is shown below.

Operating lease commitments at December 31, 2018, as previously reported	25
Adjustment to reflect discounting of the operating lease commitments at December 31, 2018, using the weighted average incremental borrowing rate	(2)
Lease liabilities at January 1, 2019, before exemptions and other adjustments	23
Exemptions applied upon recognition of lease liabilities:	
Short-term leases	(1)
Contracts not meeting the definition of a lease [1]	(15)
Recognition of the lease term extension option [2]	1
Lease liabilities recognized at January 1, 2019	8

(1) Contracts not meeting the definition of a lease are comprised of contracts or certain components of contracts that are considered executory service arrangements.

(2) Recognition of the lease term extension option relates to leases where the extension option is reasonably certain to be exercised.

4. SEGMENTED INFORMATION

Results by operating segment for the three months ended March 31 are shown below.

2019 / **2018**	**Electricity**	**Pipelines & Liquids**	**Corporate & Other**	**Intersegment Eliminations**	**Consolidated**
Revenues	**359**	**400**	**–**	**–**	**759**
	335	416	–	–	751
Operating expenses [1]	**(114)**	**(192)**	**–**	**1**	**(305)**
	(119)	(193)	–	–	(312)
Depreciation and amortization	**(77)**	**(50)**	**–**	**–**	**(127)**
	(76)	(46)	–	–	(122)
Net finance costs	**(57)**	**(32)**	**1**	**–**	**(88)**
	(55)	(30)	–	–	(85)
Earnings before income taxes	**111**	**126**	**1**	**1**	**239**
	85	147	–	–	232
Income taxes	**(30)**	**(34)**	**–**	**(1)**	**(65)**
	(23)	(40)	–	–	(63)
Earnings for the period	**81**	**92**	**1**	**–**	**174**
	62	107	–	–	169
Adjusted earnings	**83**	**88**	**1**	**–**	**172**
	73	85	–	–	158
Total assets [2]	**10,131**	**6,082**	**141**	**(22)**	**16,332**
	10,123	6,021	139	(28)	16,255
Capital expenditures [3]	**108**	**89**	**–**	**–**	**197**
	115	119	–	–	234

(1) Includes total costs and expenses, excluding depreciation and amortization expense.
(2) 2018 comparatives are at December 31, 2018.
(3) Includes additions to property, plant and equipment and intangibles and $5 million of interest capitalized during construction for the three months ended March 31, 2019 (2018 - $4 million).

ADJUSTED EARNINGS

Adjusted earnings are earnings for the period after adjusting for:

- the timing of revenues and expenses for rate-regulated activities,
- dividends on equity preferred shares of the Company,
- one-time gains and losses,
- significant impairments, and
- items that are not in the normal course of business or a result of day-to-day operations.

Adjusted earnings are a key measure of segment earnings used by the CODM to assess segment performance and allocate resources. Other accounts in the unaudited interim consolidated financial statements have not been adjusted as they are not used by the CODM for those purposes.

The reconciliation of adjusted earnings and earnings for the three months ended March 31 is shown below.

2019 **2018**	**Electricity**	**Pipelines & Liquids**	**Corporate & Other**	**Intersegment Eliminations**	**Consolidated**
Adjusted earnings	**83**	**88**	**1**	**–**	**172**
	73	85	–	–	158
Rate-regulated activities	**(3)**	**2**	**–**	**–**	**(1)**
	(13)	21	–	–	8
Dividends on equity preferred shares of the Company	**1**	**2**	**–**	**–**	**3**
	2	1	–	–	3
Earnings for the period	**81**	**92**	**1**	**–**	**174**
	62	107	–	–	169

Rate-regulated activities

ATCO Electric and its subsidiaries, ATCO Electric Yukon, Northland Utilities (NWT) and Northland Utilities (Yellowknife), as well as ATCO Gas and ATCO Pipelines are collectively referred to as utilities.

There is currently no specific guidance under IFRS for rate-regulated entities that the Company is eligible to adopt. In the absence of this guidance, the utilities do not recognize assets and liabilities from rate-regulated activities as may be directed by regulatory decisions. Instead, the utilities recognize revenues in earnings when amounts are billed to customers, consistent with the regulator-approved rate design. Operating costs and expenses are recorded when incurred. Costs incurred in constructing an asset that meet the asset recognition criteria are included in the related property, plant and equipment or intangible asset.

The Company uses standards issued by the Financial Accounting Standards Board (FASB) in the United States as another source of generally accepted accounting principles to account for rate-regulated activities in its internal reporting provided to the CODM. The CODM believes that earnings presented in accordance with the FASB standards are a better representation of the operating results of the Company's rate-regulated activities. Therefore, the Company presents adjusted earnings as part of its segmented disclosures on this basis. Rate-regulated accounting (RRA) standards impact the timing of how certain revenues and expenses are recognized when compared to non-rate regulated activities, to appropriately reflect the economic impact of a regulator's decisions on revenues.

Rate-regulated accounting differs from IFRS in the following ways:

	Timing Adjustment	Items	RRA Treatment	IFRS Treatment
1.	Additional revenues billed in current period	Future removal and site restoration costs, and impact of colder temperatures.	The Company defers the recognition of cash received in advance of future expenditures.	The Company recognizes revenues when amounts are billed to customers and costs when they are incurred.
2.	Revenues to be billed in future periods	Deferred income taxes and impact of warmer temperatures.	The Company recognizes revenues associated with recoverable costs in advance of future billings to customers.	The Company recognizes costs when they are incurred, but does not recognize their recovery until customer rates are changed and amounts are collected through future billings.
3.	Regulatory decisions received	Regulatory decisions received which relate to current and prior periods.	The Company recognizes the earnings from a regulatory decision pertaining to current and prior periods when the decision is received.	The Company does not recognize earnings from a regulatory decision when it is received as regulatory assets and liabilities are not recorded under IFRS.
4.	Settlement of regulatory decisions and other items	Settlement of amounts receivable or payable to customers and other items.	The Company recognizes the amount receivable or payable to customers as a reduction in its regulatory assets and liabilities when collected or refunded through future billings.	The Company recognizes earnings when customer rates are changed and amounts are recovered or refunded to customers through future billings.

At March 31, the significant timing adjustments as a result of the differences between rate-regulated accounting and IFRS are as follows:

	2019	**2018**
Additional revenues billed in current period		
Future removal and site restoration costs (1)	**20**	19
Impact of colder temperatures (2)	**12**	12
Revenues to be billed in future periods		
Deferred income taxes (3)	**(28)**	(33)
Settlement of regulatory decisions and other items	**(5)**	10
	(1)	8

(1) Removal and site restoration costs are billed to customers over the estimated useful life of the related assets based on forecast costs to be incurred in future periods.

(2) ATCO Gas' customer rates are based on a forecast of normal temperatures. Fluctuations in temperatures may result in more or less revenue being recovered from customers than forecast. Revenues above or below the normal in the current period are refunded to or recovered from customers in future periods.

(3) Income taxes are billed to customers when paid by the Company.

5. REVENUES

The Company disaggregates revenues from contracts with customers based on the revenue streams of the operating segments.

The disaggregation of revenues by revenue streams by each operating segment for the three months ended March 31 are shown below:

2019 2018	Electricity	Pipelines & Liquids	Corporate & Other	Total
Revenue Streams				
Rendering of Services				
Distribution services	**155**	**261**	**–**	**416**
	140	275	–	415
Transmission services	**169**	**66**	**–**	**235**
	169	64	–	233
Customer contributions	**10**	**5**	**–**	**15**
	9	4	–	13
Franchise fees	**8**	**66**	**–**	**74**
	7	72	–	79
Total rendering of services	**342**	**398**	**–**	**740**
	325	415	–	740
Other	**17**	**2**	**–**	**19**
	10	1	–	11
Total	**359**	**400**	**–**	**759**
	335	416	–	751

6. PROPERTY, PLANT AND EQUIPMENT

A reconciliation of the changes in the carrying amount of property, plant and equipment is as follows:

	Utility Transmission & Distribution	Land and Buildings	Construction Work-in-Progress	Other	Total
Cost					
December 31, 2018	17,946	618	455	657	19,676
Additions	**–**	**–**	**184**	**–**	**184**
Transfers	**85**	**–**	**(86)**	**1**	**–**
Retirements and disposals	**(6)**	**–**	**–**	**(2)**	**(8)**
March 31, 2019	**18,025**	**618**	**553**	**656**	**19,852**
Accumulated depreciation					
December 31, 2018	4,165	156	–	266	4,587
Depreciation	**105**	**4**	**–**	**9**	**118**
Retirements and disposals	**(6)**	**–**	**–**	**(2)**	**(8)**
March 31, 2019	**4,264**	**160**	**–**	**273**	**4,697**
Net book value					
December 31, 2018	13,781	462	455	391	15,089
March 31, 2019	**13,761**	**458**	**553**	**383**	**15,155**

The additions to property, plant and equipment included $5 million of interest capitalized during construction for the three months ended March 31, 2019 (2018 - $4 million).

7. RIGHT-OF-USE ASSETS

The Company's right-of-use assets mainly relate to the lease of land and buildings.

	Note	Land and Buildings
Cost		
January 1, 2019, on adoption of IFRS 16	3	8
March 31, 2019		**8**
Accumulated depreciation		
January 1, 2019, on adoption of IFRS 16	3	–
Depreciation		**1**
March 31, 2019		**1**
Net book value		
January 1, 2019, on adoption of IFRS 16	3	8
March 31, 2019		**7**

8. LONG-TERM DEBT

On January 23, 2019, the Company repaid $180 million of 5.432 per cent debentures.

9. LEASE LIABILITIES

The Company has recognized lease liabilities in relation to the arrangements to lease land and buildings. The reconciliation of movements in lease liabilities is as follows:

	Note	
January 1, 2019, on adoption of IFRS 16	3	8
Interest expense (1)		**–**
Lease payments		**(1)**
		7
Less: amounts due within one year		**(2)**
March 31, 2019		**5**

(1) During the three months ended March 31, 2019, interest expense was less than $1 million.

The maturity analysis of the undiscounted contractual balances of the lease liabilities is as follows:

In one year or less	**2**
In more than one year, but not more than five years	**5**
In more than five years	**1**
	8

During the three months ended March 31, 2019, $1 million was expensed in relation to low-value leases, and no expenses were incurred in relation to short-term leases or leases with variable payments.

10. EQUITY PREFERRED SHARES AND EQUITY PREFERRED SHARES TO PARENT COMPANY

Cash dividends declared and paid per share for the three months ended March 31 are as follows:

(dollars per share)	2019	2018
Equity preferred shares		
Cumulative Redeemable Preferred Shares		
4.60% Series 1	**0.2875**	0.2875
2.243% Series 4	**0.1402**	0.1402
Equity preferred shares to parent company		
Perpetual Cumulative Second Preferred Shares		
4.60% Series V	**0.2875**	0.2875

The payment of dividends is at the discretion of the Board and depends on the financial condition of the Company and other factors.

11. CLASS A AND CLASS B SHARES

DIVIDENDS

The Company declared and paid cash dividends of nil per Class A non-voting share and Class B common share during the three months ended March 31, 2019 (2018 - $9.55). The payment of dividends is at the discretion of the Board and depends on the financial condition of the Company and other factors.

12. CASH FLOW INFORMATION

ADJUSTMENTS TO RECONCILE EARNINGS TO CASH FLOWS FROM OPERATING ACTIVITIES

Adjustments to reconcile earnings to cash flows from operating activities for the three months ended March 31 are summarized below.

	2019	2018
Depreciation and amortization	**127**	122
Income taxes	**65**	63
Contributions by utility customers for extensions to plant	**25**	25
Amortization of customer contributions	**(15)**	(13)
Net finance costs	**88**	85
Income taxes paid	**(2)**	(6)
Other	**6**	2
	294	278

CASH POSITION

Cash position in the consolidated statement of cash flow at March 31 is comprised of:

	2019	2018
Cash	**7**	67
Short-term advances from parent company	**(48)**	–
	(41)	67

13. FINANCIAL INSTRUMENTS

FAIR VALUE MEASUREMENT

Financial instruments are measured at amortized cost or fair value. Fair value represents the estimated amounts at which financial instruments could be exchanged between knowledgeable and willing parties in an arm's length transaction. Determining fair value requires management judgment. The valuation methods used to determine the fair value of each financial instrument and its associated level in the fair value hierarchy is described below.

Financial Instruments	Fair Value Method
Measured at Amortized Cost	
Cash, accounts receivable and contract assets, accounts receivable from parent and affiliate companies, short-term advances from parent company, accounts payable and accrued liabilities and accounts payable to parent and affiliate companies.	Assumed to approximate carrying value due to their short-term nature.
Long-term advances to affiliate company and long-term debt.	Determined using quoted market prices for the same or similar issues. Where the market prices are not available, fair values are estimated using discounted cash flow analysis based on the Company's current borrowing rate for similar borrowing arrangements (Level 2).

The fair values of the Company's financial instruments measured at amortized cost are as follows:

	March 31, 2019		December 31, 2018	
Recurring Measurements	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Long-term advances to affiliate company	**130**	**146**	130	147
Financial Liabilities				
Long-term debt	**7,773**	**8,986**	7,952	8,591