

Interim Consolidated Financial Statements of

## **TMX GROUP INC.**

Three months ended March 31, 2011 and 2010

(in millions of Canadian dollars, unless otherwise stated)

(Unaudited)

# TMX GROUP INC.

## Interim Condensed Consolidated Balance Sheet

(In millions of Canadian dollars)

(Unaudited)

	Note	March 31, 2011	December 31, 2010	January 1, 2010
<b>Assets</b>				
<b>Current assets:</b>				
Cash and cash equivalents		\$ 84.2	\$ 69.9	\$ 88.9
Marketable securities		293.4	261.6	103.2
Trade and other receivables		138.1	89.7	79.4
Energy contracts receivable		703.1	754.9	714.5
Fair value of open energy contracts		126.8	141.9	202.8
Daily settlements and cash deposits		181.3	193.1	565.4
Prepaid expenses		7.9	6.7	6.0
Current income tax assets		2.4	4.3	12.3
		1,537.2	1,522.1	1,772.5
<b>Non-current assets:</b>				
Premises and equipment		26.6	28.4	24.4
Investment in equity accounted investees		15.6	14.2	12.8
Goodwill		420.8	421.3	422.5
Other intangible assets		917.4	920.1	932.0
Deferred tax assets		48.5	43.4	41.7
Other non-current assets		10.1	16.3	21.2
<b>Total Assets</b>		<b>\$ 2,976.2</b>	<b>\$ 2,965.8</b>	<b>\$ 3,227.1</b>
<b>Liabilities and Shareholders' Equity</b>				
<b>Current liabilities:</b>				
Trade and other payables		\$ 44.4	\$ 58.6	\$ 43.9
Energy contracts payable		703.1	754.9	714.5
Fair value of open energy contracts		126.8	141.9	202.8
Daily settlements and cash deposits		181.3	193.1	565.4
Deferred revenue		76.9	18.7	15.1
Provisions	10	5.9	0.4	1.2
Current income tax liabilities		5.7	7.3	10.9
Fair value of interest rate swaps		0.1	0.7	2.1
Term loan	8	429.3	429.8	-
		1,573.5	1,605.4	1,555.9
<b>Non-current liabilities:</b>				
Accrued employee benefits payable		12.2	12.1	10.9
Deferred tax liabilities		233.8	233.5	232.9
Other non-current liabilities		27.3	25.4	23.7
Fair value of interest rate swaps		-	-	3.6
Term loan		-	-	429.0
<b>Total Liabilities</b>		<b>1,846.8</b>	<b>1,876.4</b>	<b>2,256.0</b>
<b>Equity:</b>				
Share capital	6	966.9	959.4	957.9
Retained earnings (Deficit)		135.7	102.4	(16.5)
Contributed surplus		11.6	12.0	9.6
Accumulated other comprehensive loss		(4.3)	(3.2)	-
<b>Total Equity attributable to Shareholders of the Company</b>		<b>1,109.9</b>	<b>1,070.6</b>	<b>951.0</b>
Non-controlling Interests		19.5	18.8	20.1
<b>Total Equity</b>		<b>1,129.4</b>	<b>1,089.4</b>	<b>971.1</b>
<b>Total Liabilities and Equity</b>		<b>\$ 2,976.2</b>	<b>\$ 2,965.8</b>	<b>\$ 3,227.1</b>

See accompanying notes which form an integral part of these consolidated financial statements.

# TMX GROUP INC.

## Interim Condensed Consolidated Income Statement

(In millions of Canadian dollars, except per share amounts)

(Unaudited)

	<i>Note</i>	<b>Three months ending March 31,</b>	
		<b>2011</b>	<b>2010</b>
<b>Revenue:</b>			
Issuer services		\$ 62.0	\$ 49.4
Trading, clearing and related		71.3	59.0
Information services		40.0	37.4
Technology services and other		1.4	3.6
<b>Total revenue</b>		<b>174.7</b>	<b>149.4</b>
<b>Expenses:</b>			
Compensation and benefits		36.8	32.3
Information and trading systems		10.6	12.8
General and administration	10	23.1	16.9
Depreciation and amortization		6.6	7.6
<b>Total operating expenses</b>		<b>77.1</b>	<b>69.6</b>
<b>Income from operations</b>		<b>97.6</b>	<b>79.8</b>
Share of net income of equity accounted investees		0.4	0.3
Gain on disposal of available-for-sale investment		0.2	-
Merger-related costs	9	(8.3)	-
Finance income/(costs):			
Finance income		1.2	0.8
Finance costs		(2.0)	(1.2)
Net mark to market on interest rate swaps		(0.1)	(0.1)
<b>Income before income taxes</b>		<b>89.0</b>	<b>79.6</b>
Income tax expense		24.7	22.9
<b>Net income for the period</b>		<b>\$ 64.3</b>	<b>\$ 56.7</b>
<b>Net income attributable to:</b>			
Equity holders of the Company		\$ 63.1	\$ 57.1
Non-controlling interests		1.2	(0.4)
		<b>\$ 64.3</b>	<b>\$ 56.7</b>
<b>Earnings per share:</b>	4		
Basic		\$ 0.85	\$ 0.77
Diluted		\$ 0.84	\$ 0.77

See accompanying notes which form an integral part of these consolidated financial statements.

# TMX GROUP INC.

## Interim Condensed Consolidated Statement of Comprehensive Income

(In millions of Canadian dollars)

(Unaudited)

	<i>Note</i>	<b>Three months ending March 31,</b>	
		<b>2011</b>	<b>2010</b>
<b>Net income for the period</b>		<b>\$ 64.3</b>	<b>\$ 56.7</b>
Other comprehensive loss:			
Unrealized loss on translating financial statements of foreign operations (net of taxes of \$nil and \$nil)		<b>(1.6)</b>	<b>(3.0)</b>
Change in fair value of available-for-sale financial assets (net of taxes of \$nil and \$0.1)		<b>-</b>	<b>(0.3)</b>
<b>Total comprehensive income</b>		<b>\$ 62.7</b>	<b>\$ 53.4</b>
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Company		<b>\$ 62.0</b>	<b>\$ 54.5</b>
Non-controlling interests		<b>0.7</b>	<b>(1.1)</b>
		<b>\$ 62.7</b>	<b>\$ 53.4</b>

See accompanying notes which form an integral part of these consolidated financial statements.

# TMX GROUP INC.

## Interim Condensed Consolidated Statement of Changes in Equity

(In millions of Canadian dollars)

(Unaudited)

	Attributable to equity holders of the Company									Total equity
	Note	Share Capital	Contributed Surplus	Accumulated other comprehensive income		Retained earnings	Total attributable to equity holders	Non-controlling interests		
				Cumulative translation account	Unrealized gains/losses AFS financial assets					
Balance at January 1, 2011		\$ 959.4	\$ 12.0	\$ (3.2)	\$ -	\$ 102.4	\$ 1,070.6	\$ 18.8	\$ 1,089.4	
Net income for the period		-	-	-	-	63.1	63.1	1.2	64.3	
Other comprehensive income:										
Foreign currency translation differences, net of taxes		-	-	(1.1)	-	-	(1.1)	(0.5)	(1.6)	
Total comprehensive income for the period		-	-	(1.1)	-	63.1	62.0	0.7	62.7	
Dividend to equity holders	5	-	-	-	-	(29.8)	(29.8)	-	(29.8)	
Proceeds from share options exercised		6.1	-	-	-	-	6.1	-	6.1	
Cost of exercised share options		1.4	(1.4)	-	-	-	-	-	-	
Cost of share option plan		-	1.0	-	-	-	1.0	-	1.0	
Balance at March 31, 2011		\$ 966.9	\$ 11.6	\$ (4.3)	\$ -	\$ 135.7	\$ 1,109.9	\$ 19.5	\$ 1,129.4	
Balance at January 1, 2010		\$ 957.9	\$ 9.6	\$ -	\$ -	\$ (16.5)	\$ 951.0	\$ 20.1	\$ 971.1	
Net income for the period		-	-	-	-	57.1	57.1	(0.4)	56.7	
Other comprehensive income:										
Foreign currency translation differences, net of taxes		-	-	(2.3)	-	-	(2.3)	(0.7)	(3.0)	
Change in fair value of available-for-sale ("AFS") financial assets, net of taxes		-	-	-	(0.3)	-	(0.3)	-	(0.3)	
Total comprehensive income for the period		-	-	(2.3)	(0.3)	57.1	54.5	(1.1)	53.4	
Dividend to equity holders	5	-	-	-	-	(28.0)	(28.0)	-	(28.0)	
Proceeds from share options exercised		0.1	-	-	-	-	0.1	-	0.1	
Cost of share option plan		-	0.5	-	-	-	0.5	-	0.5	
Balance at March 31, 2010		\$ 958.0	\$ 10.1	\$ (2.3)	\$ (0.3)	\$ 12.6	\$ 978.1	\$ 19.0	\$ 997.1	

See accompanying notes which form an integral part of these consolidated financial statements.

# TMX GROUP INC.

## Interim Condensed Consolidated Statement of Cash Flows

(In millions of Canadian dollars)

(Unaudited)

	Note	Three months ending March 31,	
		2011	2010
<b>Cash flows from (used in) operating activities:</b>			
Net income		\$ 64.3	\$ 56.7
Adjustments to determine net cash flows:			
Depreciation and amortization		6.6	7.6
Unrealized loss on marketable securities		0.5	0.4
Share of net income of equity accounted investees		(0.4)	(0.3)
Realized gain on available-for-sale investment		(0.2)	-
Cost of share option plan		1.0	0.5
Amortized financing fees		0.2	0.2
Unrealized gain on interest rate swaps		(0.6)	(1.5)
Deferred taxes		(4.8)	0.2
Trade and other receivables, and prepaid expenses		(46.7)	(23.1)
Other non-current assets		0.1	(0.5)
Trade and other payables		(14.2)	(11.9)
Provisions		5.4	(0.1)
Deferred revenue		58.3	51.6
Long-term accrued and other non-current liabilities		2.3	(1.0)
Current income taxes		0.3	(8.0)
		<b>72.1</b>	<b>70.8</b>
<b>Cash flows from (used in) financing activities:</b>			
Reduction in obligations under finance leases		(0.2)	(0.2)
Proceeds from exercised options		6.1	0.1
Financing fees on term loan	8	(0.7)	-
Dividends on common shares	5	(29.8)	(28.0)
		<b>(24.6)</b>	<b>(28.1)</b>
<b>Cash flows from (used in) investing activities:</b>			
Additions to premises and equipment		(0.3)	(4.9)
Additions to intangible assets		(2.5)	(2.1)
Acquisition of equity accounted investee		(1.0)	-
Proceeds on disposal of available-for-sale investment		3.2	-
Marketable securities		(32.4)	(56.8)
		<b>(33.0)</b>	<b>(63.8)</b>
<b>Increase (decrease) in cash and cash equivalents</b>		<b>14.5</b>	<b>(21.1)</b>
Cash and cash equivalents, beginning of period		69.9	88.9
Unrealized foreign exchange loss on cash and cash equivalents held in foreign subsidiaries		(0.2)	(0.4)
<b>Cash and cash equivalents, end of period</b>		<b>\$ 84.2</b>	<b>\$ 67.4</b>
<b>Supplemental cash flow information:</b>			
Interest paid		\$ 1.6	\$ 1.0
Interest received		\$ 1.9	\$ 1.5
Income taxes paid		\$ 29.1	\$ 30.3

*Amounts paid and received above are included as cash flows from operating activities*

See accompanying notes which form an integral part of these consolidated financial statements.

# TMX GROUP INC.

Notes to Interim Consolidated Financial Statements  
(In millions of Canadian dollars, except per share amounts)  
Three Months Ended March 31, 2011 and 2010  
(Unaudited)

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## General information

TMX Group Inc. is a company domiciled in Canada and incorporated under the *Business Corporations Act (Ontario)*. The registered office is located at The Exchange Tower, 130 King Street West, Toronto, Ontario, Canada.

TMX Group Inc. owns TSX Inc. ("TSX"), which operates the Toronto Stock Exchange, a national stock exchange serving the senior equity market, TSX Venture Exchange Inc., a national stock exchange serving the public venture equity market, Montréal Exchange Inc. ("MX"), Canada's national derivatives exchange, Natural Gas Exchange Inc. ("NGX"), an exchange providing a platform for the trading and clearing of natural gas, electricity, and crude oil contracts in North America, Shorcan Brokers Limited ("Shorcan"), an inter-dealer broker, and The Equicom Group Inc. ("Equicom"), providing investor relations and related corporate communications services.

The unaudited interim condensed consolidated financial statements (the "financial statements") as at and for the three months ended March 31, 2011, comprise the accounts of TMX Group Inc. and its wholly-owned subsidiaries, including TSX, MX, NGX, Shorcan, Equicom, NetThruPut Inc. ("NTP"), TMX Exchange Services Limited from October 26, 2010, TMX Select Inc. from August 3, 2010, and the wholly-owned or controlled subsidiaries of TSX, MX, NGX and Shorcan, collectively referred to as "TMX Group" or "the Company".

## 1. Basis of preparation

### (a) Statement of compliance:

The financial statements have been prepared by management to comply with the requirements of International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations, as issued by the International Accounting Standards Board ("IASB"), for the preparation of interim financial statements, and they are in compliance with *IAS 34, Interim Financial Reporting*.

These are TMX Group's first IFRS financial statements prepared for part of the period to be covered by its first annual financial statements in compliance with IFRS and *IFRS 1, First-time Adoption of International Financial Reporting Standards* has been applied. These financial statements do not contain all disclosures required by IFRS for annual financial statements. TMX Group's previous financial statements, including its audited annual financial statements for the year ended December 31, 2010, were prepared in accordance with pre-conversion Canadian generally accepted accounting principles ("Canadian GAAP"). As these are TMX Group's first financial statements prepared under IFRS, details of the accounting policies applied have been disclosed in note 2. Where different to Canadian GAAP, and where considered material, additional disclosures have been made in these financial statements which would normally only be required in annual IFRS financial statements, and these are included in note 12. In addition, reconciliations and explanations of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of TMX Group are provided in note 11.

These financial statements were authorized for issuance by the Board of Directors of TMX Group on May 12, 2011.

# TMX GROUP INC.

Notes to Interim Consolidated Financial Statements  
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## **(b) Basis of measurement:**

The financial statements have been prepared on the historical cost basis except for certain assets and liabilities held at fair value, as identified in the accounting policies that follow.

## **(c) Use of estimates and judgements:**

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The estimates and associated assumptions are based on historical experience and other factors that management considers to be relevant. Actual results could differ from these estimates and assumptions.

Estimates and underlying assumptions are reviewed on an ongoing basis, and revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Critical judgments and estimates have been made in the following areas in the preparation of these financial statements:

- Goodwill and other intangible assets – impairment tests are completed using the higher of fair value less cost to sell, where available, and value in use calculations, determined using management's best estimates of future cash flows, long-term growth rates and appropriate discount rates. Purchased intangibles are valued on acquisition using appropriate methodologies and amortized over their estimated useful economic lives, except in those cases where intangibles are determined to have indefinite lives, where there is no foreseeable limit over which these intangibles would generate net cash flows. These valuations and lives are based on management's best estimates of future performance and periods over which value from the intangible assets will be derived.
- The accounting for pensions and other post retirement and post employment benefits – the valuations of the defined benefit assets and liabilities are based on actuarial assumptions made by management with advice from TMX Group's external actuary;
- Premises and equipment and intangible assets – useful lives over which assets are depreciated are based on management's judgment of future use and performance;
- Leases – the classification of leases between operating and finance leases is partly based on management's judgment regarding the substance of the agreement, supported by other indicators within the lease;
- Provisions and contingencies – management judgment is required to assess whether provisions and/or contingencies should be recognized or disclosed, and at what value. Management base their decisions on past experience and other factors they consider to be relevant on a case by case basis;
- Income taxes – the accounting for income taxes requires estimates to be made. Where differences arise between estimated income tax provisions and final tax liabilities, an adjustment is made when the difference is identified;
- Accounts receivable – judgment is required when providing for doubtful accounts. Management bases its estimates on historical experience and other relevant factors.



# TMX GROUP INC.

Notes to Interim Consolidated Financial Statements  
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## 2. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening IFRS balance sheet at January 1, 2010, for the purposes of the transition to IFRS, unless otherwise indicated.

The accounting policies have been applied consistently by TMX Group entities.

### (a) Basis of consolidation:

Subsidiaries are entities controlled by TMX Group, and they are consolidated from the date on which control is transferred to TMX Group until the date that control ceases. Balances and transactions between TMX Group's entities have been eliminated on consolidation.

Equity accounted investees are entities in which TMX Group has significant influence, but not control, over the financial and operating policies. Investments in these entities are recognized initially at cost and subsequently accounted for using the equity method of accounting. Balances and transactions with equity accounted investees are eliminated on consolidation to the extent of TMX Group's interest in the entity.

### (b) Revenue recognition:

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognized when the service or supply is provided, when it is probable that the economic benefits will flow to TMX Group, and when the revenue and the costs incurred or to be incurred in respect of the transaction can be reliably measured.

#### ***Issuer services***

Issuer services revenue includes revenue from initial and additional listing fees, annual sustaining fees and other issuer services. Initial and additional listing fees are recognized when the listing has taken place. Sustaining fees for existing issuers are billed during the first quarter of the year and the amount is recorded as deferred revenue and amortized over the year on a straight-line basis. Other issuer services revenue is recognized as the services are provided.

#### ***Trading, clearing and related***

Trading and related revenues for cash markets and derivatives trading revenues are recognized in the month in which the trades are executed or when the related services are provided.

Revenue related to derivatives clearing is recognized on the settlement date of the related transaction.

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Trading, clearing, settlement and related revenues relating to NGX trading and clearing are recognized over the period the services are provided. Revenues and expenses related to the value of energy products traded, or swap differential payments made during the year, and unrealized gains and losses on open energy contracts, are not recognized in these financial statements as NGX does not function as principal in these trading activities.

## ***Information services***

Real time market data revenue is recognized based on usage as reported by customers and vendors, less a provision for sales returns from the same customers. TMX Group conducts periodic audits of the information provided and records adjustments to revenues, if any, at the time that collectability of the revenue is reasonably assured. Fixed income indices revenue is recognized over the period the service is provided. Boston Options Exchange Group, LLC's ("BOX") revenue from the Options Price Reporting Authority ("OPRA") is received quarterly based on its pro-rata share of industry trade (not contract) volume. Estimates of OPRA's quarterly revenue are made and accrued each month. Other information services revenue is recorded and recognized as revenue in the month in which the services are provided.

## ***Technology services and other***

Technology services and other revenue is recorded and recognized as revenue over the period the service is provided.

## **(c) Foreign currency:**

Items included in the financial statements of each of TMX Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). These financial statements are presented in Canadian dollars, which is TMX Group's presentation currency.

The assets and liabilities of TMX Group's foreign operations that have a functional currency different from the presentation currency, which include BOX, are translated at the rate of exchange in effect at the balance sheet date. Revenue and expenses are translated at the relevant average monthly exchange rates. The resulting unrealized exchange gain or loss is included in accumulated other comprehensive income (loss) within shareholders' equity.

Revenues earned, expenses incurred and capital assets purchased in foreign currencies are translated into the functional currency at the prevailing exchange rate on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the period end rate. Resulting foreign exchange gains and losses are recognized within Technology services and other revenue in the income statement for the period.

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## **(d) Premises and equipment:**

Items of premises and equipment are recognized at cost less accumulated depreciation and any impairment losses.

Legal obligations associated with the restoration costs on the retirement of premises and equipment are recognized as incurred. The obligations are initially measured at an estimated fair value of the future cost discounted to present value, and a corresponding amount is capitalized with the related assets and depreciated in line with the useful lives.

Assets are depreciated from the date of acquisition or, for internally developed assets, from the time the asset is available for use. Depreciation is recognized in the income statement on a straight-line basis over the estimated useful life of the asset, or a major component thereof. The residual values and useful lives of the assets are reviewed at each year-end, and revised as necessary.

Depreciation is provided over the following useful lives of the assets:

Asset	Basis	Rate
Computers and electronic trading equipment	Straight line	3 - 5 Years
Computers and electronic trading equipment under finance leases	Straight line	Over the terms of the leases
Furniture, fixtures and other equipment	Straight line	5 Years
Leasehold improvements	Straight line	Over terms of various leases to a maximum of 15 Years

## **(e) Goodwill and other intangible assets:**

### ***Goodwill***

Goodwill is recognized at cost on acquisition less any subsequent impairment in value.

TMX Group measures goodwill as the fair value of the consideration transferred less the fair value of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the fair value of the identifiable assets acquired and liabilities assumed exceeds the fair value of the consideration transferred, a bargain purchase gain is recognized immediately in the income statement.

TMX Group elects on a transaction by transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date.

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Transaction costs, other than those associated with the issue of debt or equity securities, that TMX Group incurs in connection with a business combination are expensed as incurred.

## ***Other intangible assets***

Other intangible assets are recognized at cost less accumulated amortization, where applicable, and any impairment in value. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of internally developed assets includes the cost of materials and direct labour, and any other costs directly attributable to bringing the assets to a working condition for their intended use.

Definite life intangible assets are amortized from the date of acquisition or, for internally developed assets, from the time the asset is available for use. Amortization is recognized in the income statement either on a declining balance or on a straight-line basis over the estimated useful life of the asset, and the residual values and useful lives of the assets are reviewed at each year end, and revised as necessary.

Assets are considered to have indefinite lives where management believes that there is no foreseeable limit to the period over which the assets are expected to generate net cash flows.

Amortization is provided over the following useful lives of intangible assets:

Asset	Basis	Rate
<b>Indefinite life intangibles – not amortized</b>		
Derivative products	n/a	n/a
Trade names	n/a	n/a
Regulatory designation	n/a	n/a
Crude oil products	n/a	n/a
Index licenses	n/a	n/a
<b>Definite life intangibles - amortized</b>		
Customer bases	Declining balance	2 - 7%
Customer bases	Straight line	3 – 30 Years
Data license	Straight line	10 Years
Capitalized software and software development	Straight line	5 Years

## **(f) Impairment:**

The carrying amounts of TMX Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, are tested for impairment at least annually, and the recoverable amount is estimated each year at the same time.

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The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “cash-generating unit”, or “CGU”). For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the group of CGUs, that is expected to benefit from the synergies of the combination and reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

An impairment loss is recognized if the carrying amount of an asset, or its CGU, exceeds its estimated recoverable amount. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit on a pro rata basis. Impairment losses are recognized in the income statement.

An impairment loss in respect of goodwill can not be reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

## **(g) Leases:**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases and any lease incentives received are recognized in the income statement on a straight-line basis over the term of the lease.

TMX Group has entered into some leases for premises and equipment where substantially all of the risks and rewards of ownership have transferred to TMX Group, and these are classified as finance leases. The leased assets are capitalized on inception of the lease at the lower of their fair value and the present value of the minimum lease payments. Payments made under finance leases are apportioned between the finance expense and a reduction in the outstanding liability, to achieve a constant periodic rate of interest on the remaining liability.

## **(h) Employee benefits:**

### ***Defined contribution and defined benefit pension plans***

TSX, TSX Venture Exchange Inc. and NGX have registered pension plans with a defined benefits tier and a defined contributions tier covering substantially all of their employees, as well as a retirement compensation

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arrangement ("RCA") for senior management, and MX has a defined benefit registered pension plan for certain former officers. Benefits are based on years of service and the employee's compensation. The costs of these programs are being funded currently, except for MX, where a portion is guaranteed by a letter of credit.

TMX Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, and that benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rates used are based on Canadian AA corporate bond yields. The calculation is performed annually by an actuary using the projected benefit method. When the calculation results in a benefit to TMX Group, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. An economic benefit is considered available to TMX Group if it is realizable during the life of the plan, or on settlement of the plan liabilities, and consideration is given to any minimum funding requirements that apply to the plan when calculating the present value of these economic benefits. The service cost, which represents the benefits accruing to the employees, along with the interest cost and the expected return on plan assets, is recognized in the income statement.

When the benefits of a plan are amended, the portion of the increased benefit relating to past service by employees is recognized in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in the income statement.

TMX Group recognizes all actuarial gains and losses arising from defined benefit plans immediately in other comprehensive income.

For defined contribution plans, the expense is charged to the income statement as it is incurred.

## ***Non-pension post retirement and post employment benefit plans***

TMX Group also provides other post retirement and post employment benefits, such as supplementary medical and dental coverage and a long term disability plan, which are funded on a cash basis by TMX Group, and contributions from plan members in some circumstances. TMX Group's net obligation in respect of these plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value. The calculation of the present value of the benefit obligation is performed using the projected benefit method. For post retirement plans, any actuarial gains and losses are recognized immediately in other comprehensive income in the period in which they arise. For the long-term disability plan, actuarial gains and losses are recognized in the income statement.

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## ***Termination benefits***

Termination benefits are recognized as an expense when TMX Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date.

## ***Short-term employee benefits***

Short-term employee benefit obligations, such as wages, salaries and annual vacation entitlements, are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for TMX Group's annual bonus scheme if a present legal or constructive obligation to pay this amount exists as a result of past service provided by the employee, and the obligation can be estimated reliably.

## ***Share-based payments***

TMX Group has both equity-settled and cash-settled share-based compensation plans.

TMX Group accounts for all share-based plans to eligible employees that call for settlement by the issuance of equity instruments using the fair value based method. Under the fair value based method, compensation cost attributable to options to employees is measured at fair value at the grant date, using a recognized option pricing model, and amortized over the vesting period. The amount recognized as an expense is adjusted to reflect the actual number of options expected to vest.

Compensation cost attributable to employee awards that call for settlement in cash is measured at fair value at each reporting date, using a recognized option pricing model, and amortized over the vesting period, with a corresponding increase in either current or non-current liabilities, depending on the period in which the award is expected to be paid. Changes in fair value between the grant date and the measurement date are recognized in the income statement.

## **(i) Income tax:**

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the income statement except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Current income tax is the expected tax payable or receivable on the taxable income or loss for the period using tax rates enacted or substantively enacted at the reporting date in the countries where TMX Group operates and generates taxable income, and any adjustments to tax payable in respect of previous years.

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Deferred tax is recognized in respect of certain temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable income will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Uncertain tax positions will be recognized in the financial statements using management's best estimate of the amount expected to be paid.

Current income tax assets and liabilities are offset in the financial statements if there is a legally enforceable right to offset them and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities but TMX Group intends to settle them on a net basis or where the tax assets and liabilities will be realized simultaneously.

## **(j) Provisions:**

A provision is recognized if, as a result of a past event, TMX Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost. For onerous leases, TMX Group provides for the lower of the cost of meeting surplus property lease commitments, net of any sub-lease income, and the costs or penalties it would incur on breaking its lease commitments.

## **(k) Earnings per share:**

Basic earnings per share is computed by dividing net income attributable to the equity owners of the Company by the weighted average number of common shares outstanding during the reporting period.

Diluted earnings per share is determined by dividing the net income attributable to the equity owners of the Company by the weighted average number of common shares outstanding, adjusted for the effects of all dilutive potential common shares arising from share options granted to employees.

Adjusted basic and diluted earnings per share are presented where considered helpful to enable a comparison of the underlying performance of TMX Group with prior periods.



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## **(l) Segment reporting:**

An operating segment is a component of TMX Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of TMX Group's other components. All operating segments' operating results are reviewed regularly by the Executive Management Committee ("Executive Committee") to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

## **(m) Financial instruments:**

### ***Non-derivative financial assets***

TMX Group initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets are recognized on the trade date at which TMX Group becomes a party to the contractual provisions of the instrument.

TMX Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Financial assets and liabilities are offset and the net amount presented in the balance sheet only when TMX Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

TMX Group classifies its non-derivative financial assets in the following categories, depending on the purpose for which they were acquired:

### **Financial assets at fair value through profit or loss**

A financial asset is classified at fair value through profit or loss if it is designated as such by management and TMX Group manages the asset, and makes purchase and sale decisions, based on its fair value in accordance with TMX Group's documented risk management or investment strategy, or if the asset is classified as held for trading. Financial assets at fair value through profit or loss are measured at fair value, with changes recognized in the income statement. Transaction costs thereon are expensed as incurred.

### **Loans and receivables**

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any incremental directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

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## *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. These assets are measured at fair value, both initially and subsequently, with changes in fair value, except for impairment losses and certain foreign exchange gains and losses, recognized in other comprehensive income until the asset is sold. Impairment losses are recognized in the income statement as incurred, as are foreign exchange gains and losses arising on monetary items. Foreign exchange gains and losses arising on non-monetary items, such as an investment in an equity instrument, are recognized in other comprehensive income. When an investment is derecognized, the cumulative gain or loss in accumulated other comprehensive income is reclassified to the income statement.

## *Non-derivative financial liabilities*

TMX Group initially recognizes its financial liabilities on the trade date at which TMX Group becomes a party to the contractual provisions of the instrument. TMX Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

## *Derivative financial instruments*

TMX Group holds certain derivative financial instruments which, while providing a partial economic hedge, are not designated as hedges for accounting purposes. As such, these derivatives are recognized at fair value, both initially and subsequently, with changes in the fair value recognized in the income statement.

## **(n) Cash and cash equivalents:**

Cash and cash equivalents consist of cash and liquid investments having an original maturity of three months or less and are carried at their estimated fair values, with changes in their fair values being recorded in the income statement in the period in which they occur. Estimated fair values of the investments are determined based on quoted market values.

Cash and cash equivalents also includes restricted cash. MX operates a separate regulatory division, responsible for the approval of participants and market regulation, which operates on a cost recovery basis. Restricted cash represents the surplus of this regulatory division. An equivalent and off-setting amount is included in Trade and other payables.

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## **(o) Trade receivables:**

Trade receivables generally have terms of 30 days. The recoverability of the trade receivables is assessed at each reporting date and an allowance for doubtful accounts is deducted from the asset's carrying value if the asset is not considered fully recoverable. Any change in the allowance is recognized within General and administration costs in the income statement.

## **(p) Daily settlements and cash deposits:**

The amounts due from and to Clearing Members of the Canadian Derivatives Clearing Corporation ("CDCC") as a result of marking open futures positions to market and settling option transactions each day are required to be collected from or paid to Clearing Members prior to the commencement of trading the next day. Daily settlements and cash deposits also include cash margin deposits and clearing fund cash deposits of Clearing Members held in the name of CDCC. The amounts due from Clearing Members are presented as an asset in the balance sheet and are not offset against the amounts due to other Clearing Members, which are presented as a liability. There is no impact on the consolidated income statement.

## **(q) Energy contracts receivable/payable:**

NGX energy contracts receivable and payable positions are recognized for all contracts where physical delivery has occurred or financial settlement amounts have been determined prior to the period end but payments have not yet been made. There is no impact on the consolidated income statement.

The fair value at the balance sheet date of the undelivered physically settled trading contracts and the forward financially settled trading contracts is recognized in the consolidated assets and liabilities as Fair value of open energy contracts. There is no impact on the consolidated income statement.

## **(r) Finance income and finance costs:**

Finance income comprises interest income and dividend income on funds invested, and changes in the fair value of cash, cash equivalents and marketable securities.

Finance costs comprise interest expense on borrowings and finance leases.

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## **(s) Future accounting changes:**

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2011, and have not been applied in preparing these financial statements. In particular, the following new and amended standards and interpretations are required to be implemented for financial years beginning on or after January 1, 2012:

- Annual improvements 2011
- *IFRS 7, Financial instruments – disclosure* - Amendments regarding transfers of financial assets
- *IFRS 9, Financial instruments*
- *IAS 12, Income taxes* - Amendments regarding deferred tax - Recovery of underlying assets

The implementation of the above new standards and interpretations is not currently expected to have a significant effect on the financial statements of TMX Group.

## **3. Segmented information**

TMX Group operates in three reportable segments: the Cash Markets (“Cash”) segment, the Derivatives Markets (“Derivatives”) segment, and the Energy Markets (“Energy”) segment. In the Cash segment, TMX Group owns and operates Canada’s two national stock exchanges, Toronto Stock Exchange and TSX Venture Exchange, Shorcan, a fixed income inter-dealer broker, and Equicom, an investor relations and corporate communications services provider. This segment also includes certain other central costs that are yet to be allocated across the group. The Derivatives segment provides markets for trading derivatives, clearing options and futures contracts and certain over-the-counter (“OTC”) products through MX and its subsidiaries, including CDCC and BOX. The Energy segment provides a marketplace for the trading and clearing of natural gas, electricity and crude oil contracts through NGX, and includes the brokering of crude oil contracts through Shorcan Energy Brokers Inc. (“Shorcan Energy”), a wholly-owned subsidiary of Shorcan.

TMX Group’s Executive Committee reviews internal management reports on a regular basis and performance is measured based on revenue, income from operations and net income attributable to equity holders of the Company.

The accounting policies of the reportable segments are consistent with the accounting policies described in note 2.

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## Three months ended March 31, 2011

	Cash	Derivatives	Energy	Total
<b>Revenue:</b>				
Issuer services	\$ 62.0	\$ -	\$ -	\$ 62.0
Trading, clearing and related	33.6	26.3	11.4	71.3
Information services	36.0	3.9	0.1	40.0
Technology services and other	0.3	1.2	(0.1)	1.4
<b>Total revenue</b>	<b>131.9</b>	<b>31.4</b>	<b>11.4</b>	<b>174.7</b>
Depreciation and amortization	2.9	2.9	0.8	6.6
Other operating expenses	47.2	17.1	6.2	70.5
<b>Income from operations</b>	<b>81.8</b>	<b>11.4</b>	<b>4.4</b>	<b>97.6</b>
<b>Net income attributable to equity holders of the Company</b>	<b>51.8</b>	<b>8.2</b>	<b>3.1</b>	<b>63.1</b>
<b>Investments in equity accounted investees</b>	<b>\$ 15.6</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 15.6</b>
<b>Total assets</b>	<b>565.5</b>	<b>1,434.5</b>	<b>976.2</b>	<b>2,976.2</b>
<b>Total liabilities</b>	<b>586.8</b>	<b>402.2</b>	<b>857.8</b>	<b>1,846.8</b>
<b>Additions to property, plant and equipment and intangible assets</b>	<b>1.2</b>	<b>1.2</b>	<b>0.4</b>	<b>2.8</b>

## Three months ended March 31, 2010

	Cash	Derivatives	Energy	Total
<b>Revenue:</b>				
Issuer services	\$ 49.4	\$ -	\$ -	\$ 49.4
Trading, clearing and related	31.3	18.4	9.3	59.0
Information services	33.7	3.5	0.2	37.4
Technology services and other	2.8	0.9	(0.1)	3.6
<b>Total revenue</b>	<b>117.2</b>	<b>22.8</b>	<b>9.4</b>	<b>149.4</b>
Depreciation and amortization	3.3	3.6	0.7	7.6
Other operating expenses	42.5	13.9	5.6	62.0
<b>Income from operations</b>	<b>71.4</b>	<b>5.3</b>	<b>3.1</b>	<b>79.8</b>
<b>Net income attributable to equity holders of the Company</b>	<b>49.5</b>	<b>5.5</b>	<b>2.1</b>	<b>57.1</b>
<b>Investments in equity accounted investees</b>	<b>\$ 13.1</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 13.1</b>
<b>Total assets</b>	<b>443.7</b>	<b>1,548.1</b>	<b>1,261.7</b>	<b>3,253.5</b>
<b>Total liabilities</b>	<b>564.1</b>	<b>543.6</b>	<b>1,148.7</b>	<b>2,256.4</b>
<b>Additions to property, plant and equipment and intangible assets</b>	<b>3.9</b>	<b>2.6</b>	<b>0.5</b>	<b>7.0</b>

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## 4. Earnings per share

	Three months ended March 31,	
	2011	2010
Net income attributable to the equity holders of the Company	\$ 63.1	\$ 57.1
Weighted average number of common shares outstanding - basic	74,465,825	74,310,141
Effect of dilutive share options	229,063	86,710
Weighted average number of common shares outstanding - diluted	74,694,888	74,396,851
<b>Basic earnings per share</b>	<b>\$ 0.85</b>	<b>\$ 0.77</b>
<b>Diluted earnings per share</b>	<b>\$ 0.84</b>	<b>\$ 0.77</b>

### Adjusted earnings per share:

	Three months ended March 31,	
	2011	2010
Net income attributable to the equity holders of the Company	\$ 63.1	\$ 57.1
Adjustments:		
- Merger related costs (note 9)	8.3	-
- Tax effect on merger related costs	(2.1)	-
- Commodity tax adjustment (note 10)	4.8	-
- Tax effect on commodity tax adjustment	(1.3)	-
Adjusted net income attributable to the equity holders of the Company	\$ 72.8	\$ 57.1
<b>Adjusted basic earnings per share</b>	<b>\$ 0.98</b>	<b>\$ 0.77</b>
<b>Adjusted diluted earnings per share</b>	<b>\$ 0.97</b>	<b>\$ 0.77</b>

Adjusted earnings per share exclude merger related costs and a commodity tax adjustment relating to prior years, along with their tax effect. This measure is presented to enable a comparison of the underlying business with prior periods.

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## 5. Dividends

Dividends recognized and paid in the period are as follows:

	Three months ended March 31, 2011		Three months ended March 31, 2010	
	Dividend per share	Total paid	Dividend per share	Total paid
Final dividend for prior year, paid in February	\$ 0.40	\$ 29.8	\$ 0.38	\$ 28.0

On May 12, 2011, the Board declared a dividend of 40 cents per share for the three months ended March 31, 2011. This dividend is expected to be paid on June 10, 2011, and is estimated to amount to \$29.8.

## 6. Share capital

The following transactions occurred with respect to the Company's common shares during the period:

	Three months ended March 31, 2011	
	Number of shares	\$
Balance, beginning of the period	74,370,462	\$ 959.4
Options exercised	217,530	7.5
<b>Balance, end of the period</b>	<b>74,587,992</b>	<b>\$ 966.9</b>

## 7. Share option plan

According to the terms of TMX Group's plan, under no circumstances may any one person's share options and all other share compensation arrangements exceed 5% of the outstanding common shares issued of TMX Group. 3,846,696 common shares of TMX Group remain reserved for issuance upon exercise of share options granted under the plan, representing approximately 5% of the outstanding common shares of TMX Group.

The fair value of each share option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions used for grants in 2011: dividend yield of 3.9% (2010 – 4.1%); expected volatility of 31.4% (2010 – 31.0%); risk-free interest rate of 2.1% (2010 – 3.5%); expected life of 4 years (2010 – 7 years); and a share price of \$41.74 (2010 – \$29.52). The assumptions are based on TMX Group's historical share price movements and historical dividend policy and the expected life is based on past experience. The resulting fair value calculated for share options granted in 2011 was \$7.86 (2010 - \$6.74).

Options outstanding at March 31, 2011 will expire in 2012, 2013, 2014, 2015, 2016, 2017, and 2018.

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Movements in the number of share options outstanding are as follows:

	Three months ended March 31, 2011		Three months ended March 31, 2010	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Outstanding, beginning of the period	1,678,731	\$ 34.23	1,382,569	\$ 35.53
Granted	476,394	41.74	457,782	29.52
Forfeited	(17,794)	34.42	(59,833)	39.45
Exercised	(217,530)	27.97	(6,000)	10.53
Outstanding, end of the period	1,919,801	\$ 36.80	1,774,518	\$ 33.93
Vested and exercisable, end of period	850,006	\$ 37.56	780,973	\$ 35.76

During the three months ended March 31, 2011, the weighted average share price of options exercised at the date of exercise was \$41.49 (three months ended March 31, 2010 - \$31.59).

The range of exercise prices and weighted average remaining contractual life of options outstanding are as follows:

Exercise price range	Three months ended March 31, 2011		Three months ended March 31, 2010	
	Number of share options	Weighted average remaining contractual life	Number of share options	Weighted average remaining contractual life
\$10.53 - \$19.99	70,800	2	101,800	3
\$20.00 - \$29.99	452,090	5	611,429	5
\$30.00 - \$39.99	513,235	5	627,650	6
\$40.00 - \$54.50	883,676	5	433,639	4
	1,919,801	5	1,774,518	5

In the three months ended March 31, 2011, TMX Group recognized compensation costs of \$1.0 in relation to its share option plan (three months ended March 31, 2010 - \$0.5).

## 8. Credit facilities

On March 31, 2011, TMX Group extended and amended its \$430.0 credit facility that was due to expire on April 18, 2011. The revised credit facility remains at \$430.0 and will expire on March 31, 2012, or 180 days after the completion or cancellation of the merger with the London Stock Exchange Group plc ("LSEG"), if earlier. The facility may be extended by up to 180 days subject to certain restrictions and fees. Until April 18, 2011, the credit facility attracted interest at Bankers' Acceptances ("BA") plus 45 basis points. After that date, interest is charged at BAs plus 85 basis points. TMX Group prepaid \$0.7 of financing fees on March 31, 2011, which will be amortized over the life of the loan.



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The facility remains unsecured and continues to include certain covenants that TMX Group must maintain. TMX Group was in compliance with these covenants at March 31, 2011.

In addition, in January, 2011, CDCC arranged additional credit facilities. A \$100.0 daylight liquidity facility and a \$50.0 call loan facility were signed with a Canadian Schedule 1 bank. CDCC has not drawn on either facility.

## 9. Merger-related costs

On February 9, 2011, TMX Group announced an agreement to combine its operations with LSEG in an all-share merger. Completion of the merger is subject to customary regulatory and other approvals as well as certain other conditions. It is anticipated that the relevant shareholders' meeting will take place in the second quarter of 2011 and court approval will be sought within three business days of TMX Group's shareholders approving the merger. Subject to obtaining shareholder, court and regulatory approvals, the merger is expected to become effective in the third quarter of 2011.

During the three months ended March 31, 2011, TMX Group incurred costs of \$8.3 in relation to the merger, which are reflected in the income statement.

TMX Group is also liable for the payment of success fees of \$16.8 which are contingent upon the successful completion of the merger. These fees have not been accrued for within these financial statements.

## 10. Commodity tax adjustment

TMX Group is in the process of submitting a ruling request to the Canada Revenue Agency ("CRA") relating to the application of taxes ("Harmonized Sales Tax" or "HST") imposed under section 165 of the *Excise Tax Act* on its trade execution fees on equities and derivatives. Effective February, 2011, TMX Group stopped charging HST on its trade execution fees for Toronto Stock Exchange and TSX Venture Exchange. TMX Group is confident that the ruling request will be approved, and as such, has not provided for HST not charged to customers.

If the ruling request is approved, TMX Group may be required to repay to the CRA the input tax credits ("ITC's") claimed in recent years against the trading businesses. TMX Group firmly believes that the liability related to these ITC's should be \$0; however, a repayment of up to four years of ITC's previously claimed may be required. As a result, TMX Group has estimated the range of possible outcomes to be between \$0 and \$11.0. A provision of \$5.5 (\$4.8 relating to prior years) has been recorded in the three months ended March 31, 2011, and the cost is included within General and administration expenses in the income statement for the quarter. Future estimates may be different and a change in the provision may be required.

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## 11. Transition to IFRS

As discussed in note 1, these financial statements have been prepared in accordance with IFRS as applicable to interim reporting. TMX Group's financial statements for the year ending December 31, 2011 will be its first annual financial statements that comply with IFRS. As this is TMX Group's first year of reporting under IFRS, IFRS 1 is applicable.

In accordance with IFRS 1, TMX Group has applied IFRS retrospectively as of January 1, 2010 (the "Transition Date") for comparative purposes. In preparing its opening balance sheet in accordance with IFRS, TMX Group has adjusted amounts reported previously in its financial statements prepared in accordance with pre-conversion Canadian GAAP. The impact of the transition on TMX Group's financial position and financial performance is discussed below. The impact of the transition on TMX Group's statement of cash flows was minimal.

### (A) Initial elections upon adoption:

In accordance with IFRS 1, TMX Group has applied certain optional exemptions and mandatory exceptions from full retrospective application of IFRS. Set out below are the IFRS 1 optional exemptions that TMX Group has elected to apply on its conversion to IFRS and the mandatory exceptions that are applicable to TMX Group.

### IFRS 1 optional exemptions:

1. Business combinations – This exemption allows first-time adopters to elect to apply *IFRS 3 (revised) - Business Combinations* ("IFRS 3"), prospectively from the Transition Date or retrospectively only to acquisitions after a chosen date that is prior to the Transition Date. Not taking this exemption would require retrospective restatement of all business combinations occurring before the Transition Date. TMX Group has elected to not apply IFRS 3 to all business combinations that occurred prior to January 1, 2008. Accordingly, only business combinations that took place on or after January 1, 2008 - the acquisitions of MX, BOX, and NTP - have been restated to reflect the requirements of IFRS 3 upon adoption of IFRS. As a result of applying this exemption, goodwill arising on these three acquisitions has been adjusted accordingly as at the Transition Date. In applying this exemption there are certain additional requirements in relation to acquisitions that are not restated under IFRS. An analysis of these requirements as they relate to TMX Group was conducted with no resulting implications and as such, goodwill relating to business combinations prior to January 1, 2008 has not been adjusted from its pre-conversion Canadian GAAP carrying value.
2. Employee benefits – This exemption allows first-time adopters to recognize all cumulative unamortized actuarial gains and losses directly to retained earnings on the Transition Date, thus resetting unamortized actuarial gains and losses to zero. Not taking this exemption would require retrospective application of *IAS 19 - Employee Benefits* ("IAS 19"), from the inception of all benefit plans. TMX Group has elected to apply this exemption, and recognize all unamortized actuarial gains and losses under pre-conversion Canadian GAAP to retained earnings on the Transition Date.

# TMX GROUP INC.

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3. Cumulative translation differences – This exemption allows first-time adopters to recognize all cumulative translation differences relating to foreign operations directly to retained earnings on the Transition Date, thus resetting the cumulative translation difference to zero. Not taking this election would require retrospective application of *IAS 21 - The Effect of Changes in Foreign Exchange Rates* (“IAS 21”), from the date the foreign operations were formed or acquired. TMX Group has elected to apply this exemption, and reset all its cumulative translation differences to zero through retained earnings on the Transition Date.
4. Share-based payments - This exemption allows first-time adopters to limit its application of *IFRS 2 – Share-based Payments* (“IFRS 2”) to only certain historical transactions. IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2 to equity instruments granted on or before November 7, 2002, or to equity instruments granted after that date but which have vested by the Transition Date. In addition, it encourages, but again does not require, first-time adopters to apply IFRS 2 to liabilities arising from share-based payment transactions that were settled before the date of transition to IFRS. TMX Group has elected to only apply IFRS 2 to equity instruments granted after November 7, 2002 and remaining unvested at the Transition Date as well as to cash-settled share-based liabilities remaining unsettled as at the Transition Date.
5. Decommissioning liabilities included in the cost of premises and equipment – This exemption allows first-time adopters to elect to apply the guidance in *IFRIC 1 - Changes in Existing Decommissioning, Restoration and Similar Liabilities* (“IFRIC 1”), prospectively from the Transition Date, as opposed to retrospectively. IFRIC 1 requires that changes in these liability estimates be added to, or deducted from, the cost of the asset to which it relates, and the adjusted depreciable amount of the asset is then depreciated prospectively over its remaining useful life. TMX Group has elected to apply this exemption thereby applying the requirements of IFRIC 1 prospectively to decommissioning liabilities that existed as at the Transition Date. Accordingly, TMX Group recognized such liabilities as at the Transition Date in accordance with *IAS 37 - Provisions, Contingent Liabilities and Contingent Assets*, and adjusted the cost of the related assets accordingly.
6. Leases – This exemption allows first-time adopters to elect to apply *IFRIC 4 - Determining whether an Arrangement contains a Lease* (“IFRIC 4”), only to arrangements existing at the Transition Date. An additional exemption also exists, allowing a first-time adopter to opt out of reassessing its arrangements under IFRIC 4 if it has already assessed whether an arrangement contains a lease in accordance with pre-conversion Canadian GAAP *EIC-150 – Determining Whether an Arrangement Contains a Lease* (“EIC 150”). TMX Group has elected to apply both exemptions thus limiting its reassessment under IFRIC 4 to arrangements in place at the Transition Date that were not subject to the scope of EIC 150 under pre-conversion Canadian GAAP.

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## IFRS 1 mandatory exceptions:

IFRS 1 prohibits retrospective application of certain aspects of IFRS. The mandatory exceptions that are applicable to TMX Group on its conversion to IFRS are as follows.

1. Estimates - Hindsight cannot be used to create or revise estimates. The estimates previously made by TMX Group under pre-conversion Canadian GAAP have not been revised for application of IFRS except where necessary to reflect any difference in accounting policies.
2. Non-controlling interests – This exception requires entities to account for non-controlling interests following the requirements of IAS 27 - *Consolidated and Separate Financial Statements* ("IAS 27"), prospectively from the date of transition to IFRS. However, if an entity elects to apply IFRS 3 retrospectively to past business combinations as of a designated date, it should also apply IAS 27 retrospectively from that same date. As TMX Group has elected to apply IFRS 3 as of January 1, 2008, IAS 27 has also been applied from the same date.

## (B) Reconciliation of pre-conversion Canadian GAAP to IFRS:

In accordance with IFRS 1, the following tables and notes present reconciliations and explanations of how the transition to IFRS has affected TMX Group's comparative financial statements.

### Reconciliation of Equity\*

	Note	January 1, 2010	March 31, 2010	December 31, 2010
Equity under pre-conversion Canadian GAAP		\$ 770.6	\$ 789.7	\$ 853.1
Differences increasing (decreasing) reported equity:				
Business combinations	a	(163.0)	(163.0)	(163.0)
Employee future benefits	b	(3.4)	(3.4)	(8.3)
Share-based compensation	c	0.4	0.2	0.5
Revenue	d	354.7	362.8	396.0
Impairment	f	(8.0)	(7.6)	(7.1)
Leases	g	-	0.1	0.1
Income taxes	h	(0.3)	(0.4)	(0.7)
Financial instruments	i	-	(0.3)	-
Non-controlling interests	a, f, j	20.1	19.0	18.8
<b>Equity under IFRS</b>		<b>\$ 971.1</b>	<b>\$ 997.1</b>	<b>\$ 1,089.4</b>

\* Figures in the table above are net of tax where applicable.

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## Reconciliation of Comprehensive Income\*

	<i>Note</i>	<b>Three months ended</b>	<b>Year ended</b>
		<b>March 31, 2010</b>	<b>December 31, 2010</b>
Comprehensive income under pre-conversion Canadian GAAP		\$ 46.4	\$ 192.8
Differences increasing (decreasing) reported comprehensive income:			
Employee future benefits	<i>b</i>	-	(4.9)
Share-based compensation	<i>c</i>	(0.1)	0.2
Revenue	<i>d</i>	8.1	41.3
Impairment	<i>f</i>	0.4	0.9
Leases	<i>g</i>	0.1	0.1
Income taxes	<i>h</i>	(0.1)	(0.4)
Financial instruments	<i>i</i>	(0.3)	-
Non-controlling interests	<i>j</i>	(1.1)	(1.3)
<b>Comprehensive income under IFRS</b>		<b>\$ 53.4</b>	<b>\$ 228.7</b>

\* Figures in the table above are net of tax where applicable.

## Notes to the reconciliations (quantification as at January 1, 2010, unless otherwise indicated):

### Changes in accounting policies

In addition to the exemptions and exceptions discussed above, the following describes the differences between TMX Group's pre-conversion Canadian GAAP accounting policies and those adopted on transition to IFRS which have impacted TMX Group's financial position and/or financial performance.

#### (a) **BUSINESS COMBINATIONS:**

As stated previously, TMX Group has elected to apply IFRS 3 retrospectively to business combinations that occurred on or after January 1, 2008; specifically, the acquisitions of MX, BOX and NTP have been restated. The significant differences between the standards as applicable to these acquisitions are discussed below.

#### **Measurement of purchase price:**

**Canadian GAAP** - Shares issued as consideration were measured at their estimated fair value on the date the parties to the business combination reached an agreement on the purchase price and the proposed transaction was announced.

**IFRS** - Shares issued as consideration are measured at their fair value on the acquisition date.

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## **Acquisition costs:**

**Canadian GAAP** – Direct and incremental costs of business combinations were recognized as part of the purchase cost.

**IFRS** – Acquisition related costs are accounted for separately from the business combination and they are expensed as incurred.

## **Restructuring provisions:**

**Canadian GAAP** – If certain conditions were met, the costs of restructuring activities were included as part of the purchase price even if a present obligation did not exist as of the date of acquisition.

**IFRS** – Restructuring provisions are included as part of the business combination only if they represent a present obligation as of the date of acquisition.

## **Non-controlling interests:**

**Canadian GAAP** – Non-controlling interests were recorded at their share of the existing carrying values of the net assets acquired.

**IFRS** – Non-controlling interests are recorded at either their fair value or their proportionate share of the fair value of the acquiree's net assets. TMX Group has opted for the latter method.

## **Increase in ownership of a subsidiary:**

**Canadian GAAP** – Increase in ownership interests of a subsidiary was accounted for using the purchase method.

**IFRS** – When an entity increases its ownership in an investment that results in the acquisition of control, the previously held equity interests are re-measured to fair value through net earnings. When an entity increases its ownership in a previously controlled subsidiary, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary.

## **Contingent liabilities:**

**Canadian GAAP** – Contingent liabilities assumed in a business combination were recognized when it was probable that a liability had been incurred on the date of acquisition and when the amount could be reasonably estimated.

**IFRS** – A contingent liability is recognized at fair value on the date of acquisition if it is a present obligation that arises from past events and its fair value can be measured reliably.

**Impact on TMX Group** – *The acquisitions of MX, BOX and NTP were restated under IFRS 3, and as a result of this, the acquisition accounting was amended. The goodwill associated with the MX acquisition decreased by*

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*\$155.5, share capital decreased by \$141.1, and retained earnings decreased by \$14.4. Intangible assets related to the acquisition of BOX increased by \$14.3, non-controlling interests increased by \$16.0, and were reclassified to equity, and retained earnings decreased by \$1.7. The goodwill related to the acquisition of NTP decreased by \$5.3, share capital decreased by \$3.6, and retained earnings decreased by \$1.7. The tax effect on the above transition adjustments was a reduction of \$0.5 in goodwill with the offset to retained earnings.*

(b) **EMPLOYEE BENEFITS:**

As stated previously, TMX Group has applied the IFRS 1 exemption and elected to recognize all cumulative unamortized actuarial gains and losses that existed at the Transition Date directly to retained earnings for all of its employee benefit plans. In taking this exemption, TMX Group is applying IAS 19 retrospectively from the Transition Date. The significant differences between IAS 19 and pre-conversion Canadian GAAP as applicable to TMX Group are discussed below.

**Actuarial gains and losses:**

**Canadian GAAP** – TMX Group amortized actuarial gains and losses arising from its employee benefit plans over the expected average remaining service period of active employees when the net accumulated actuarial gain or loss was in excess of 10% of the greater of the accrued benefit obligations and the fair value of plan assets at the beginning of the fiscal year.

**IFRS** – As permitted under IAS 19, TMX Group has elected to recognize all actuarial gains and losses on pension and other post retirement plans immediately in the statement of comprehensive income without recycling to the income statement in subsequent periods.

**Measurement date:**

**Canadian GAAP** – TMX Group measured its defined benefit obligations and plan assets for certain plans as of September 30.

**IFRS** - An entity is required to determine the present value of the defined benefit obligations and the fair value of plan assets at the balance sheet date. As a result, on transition to IFRS, TMX Group changed the measurement date of its plans to December 31.

**Recognition of past service costs:**

**Canadian GAAP** – Past service costs arising from plan amendments or initiation were amortized on a straight-line basis over the expected average remaining service period of employees active at the time of the amendment.

**IFRS** - Past service costs arising from plan amendments or initiation are amortized on a straight-line basis over the expected average period remaining to vest. Any benefits already vested are recognized immediately in earnings.

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## **Limit on accrued benefit asset:**

**Canadian GAAP** – When a defined benefit plan gave rise to an accrued benefit asset, a valuation allowance was recognized for any excess of the accrued benefit asset over the expected future benefit, and the accrued benefit asset was presented net of any valuation allowance in the balance sheet. Any change in the valuation allowance was recognized in net earnings.

**IFRS** – IFRS also sets a limit on the accrued benefit asset that can be recognized in the balance sheet, although this is calculated differently than under Canadian GAAP. Any change in the recoverable amount will be recognized immediately in the statement of comprehensive income.

**Impact on TMX Group** – *Pension benefit assets (included within Other non-current assets on the balance sheet) and accrued employee benefits payable were reduced by \$8.1 and \$3.5 respectively, with the offset of \$4.6 to retained earnings. The tax effect on the above transition adjustment was a decrease of \$0.7 and a decrease of \$1.9 in deferred tax assets and deferred tax liabilities respectively, with the offset to retained earnings.*

## (c) **SHARE BASED COMPENSATION:**

As stated previously, TMX Group has elected to only apply IFRS 2 to equity instruments granted after November 7, 2002 and remaining unvested at the Transition Date as well as to liabilities remaining unsettled as at the Transition Date. The significant differences between IFRS 2 and pre-conversion Canadian GAAP as applicable to TMX Group are discussed below.

### **Recognition of expense:**

**Canadian GAAP** - For share-based awards with graded vesting the total fair value of the award was recognized by TMX Group on a straight-line basis over the vesting period.

**IFRS** – Each tranche of an award with graded vesting is considered a separate grant with a different vesting date and fair value. Each tranche is accounted for on that basis.

### **Forfeitures:**

**Canadian GAAP** - Forfeitures of awards were recognized as they occurred.

**IFRS** – Compensation expense is recognized based on an estimate of the number of awards expected to vest and is revised if subsequent information indicates that actual forfeitures differ from the estimate.

### **Cash-settled share based payments:**

**Canadian GAAP** – The liability for restricted share units and deferred share units was accrued based on the intrinsic value of the award with changes in the intrinsic values at each reporting period recognized in the income statement.

**IFRS** – TMX Group is required to measure the liability at fair value on the date of grant and at each subsequent



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reporting date by applying an option pricing model. Changes in fair value are recognized in the income statement.

**Impact on TMX Group** – The share option plan component of equity was increased by \$0.9 as a result of the changes in the accounting treatment of share options, and trade and other payables and other non-current liabilities decreased by \$0.6 in respect of the cash-settled share based payments, the offset to which decreased retained earnings by \$0.3. The tax effect on the above transition adjustment was a decrease of \$0.1 in deferred tax assets with the offset to retained earnings.

(d) **REVENUE:**

**Canadian GAAP** - Initial and additional listing fees were recorded as deferred revenue – initial and additional listing fees, and were recognized on a straight-line basis over an estimated service period of 10 years in accordance with EIC 141, Revenue Recognition.

**IFRS** – Initial and additional listing fees are recognized in full in the period when the listings occur.

**Impact on TMX Group** – On the Transition Date, short-term deferred revenue – initial and additional listing fees and long-term deferred revenue – initial and additional listing fees were reduced by \$78.0 and \$405.1 respectively, with the offset to retained earnings. The tax effect on the above transition adjustment was a reduction of \$128.4 in deferred tax assets with the offset to retained earnings. For the three months ended March 31, 2010, and the year ended December 31, 2010, revenue was increased by \$9.7 and \$50.1 respectively, and tax expense was increased by \$1.6 and \$8.9 respectively, as a result of this change in accounting policy.

(e) **CUMULATIVE TRANSLATION DIFFERENCES:**

As noted in the IFRS 1 optional exemptions section above, TMX Group has applied the one-time exemption to set the foreign currency cumulative translation adjustment (“CTA”) to zero on January 1, 2010.

**Impact on TMX Group** - The CTA balance of \$3.2 as at the Transition Date was recognized as an adjustment to retained earnings on transition to IFRS. The application of the exemption had no impact on net equity.

(f) **IMPAIRMENT:**

**Canadian GAAP** – An impairment loss was recognized when a long lived asset's carrying amount exceeded its recoverable amount which was estimated, by TMX Group, as the sum of the undiscounted cash flows expected to result from the use of the asset and its eventual disposition.

**IFRS** – An impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount, which is the higher of the fair value less costs to sell and its value-in-use.

**Impact on TMX Group** – An impairment charge of \$14.8 was recognized on the Transition Date in respect of

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*the BOX trading participants' intangible asset, \$6.8 of which related to the non-controlling interests share, with the remaining \$8.0 relating to TMX Group's share and therefore charged to retained earnings on transition. Value-in-use was the recoverable amount of the asset, using a discount rate of 15%. The impairment primarily resulted from increased competition and a weakening market share in the US equity options trading market, resulting in a decline in current and forecasted revenues, during 2009. A goodwill impairment charge was recognized at the time under Canadian GAAP, and the trading participant intangible was also tested, but was found not to be impaired in accordance with pre-conversion Canadian GAAP.*

## (g) LEASES:

As stated previously, TMX Group has elected to limit its assessment in accordance with IFRIC 4 to arrangements in place on the Transition Date that had not been previously assessed under EIC 150. The significant differences between IAS 17 - Leases and pre-conversion Canadian GAAP as applicable to TMX Group are discussed below.

### **Classification:**

**Canadian GAAP** – The criteria used to determine whether a lease is to be classified as an operating lease or a finance lease (previously termed a capital lease under pre-conversion Canadian GAAP) included “bright-line” thresholds such as whether a lease term was greater than 75% of the economic life of the leased asset, or the present value of the minimum lease payments was above 90% of the fair value of the lease.

**IFRS** – The criteria for lease classification rely heavily on the substance of the agreement and do not include any “bright-line” thresholds.

### **Present value of minimum lease payments:**

**Canadian GAAP** – The present value of minimum lease payments was calculated using the lower of (i) the interest rate implicit in the lease and (ii) the lessee's incremental borrowing rate.

**IFRS** – The present value of minimum lease payments should be determined using the interest rate implicit in the lease. The lessee's incremental borrowing rate should only be used when the interest rate implicit in the lease cannot be determined.

**Impact on TMX Group** – *A number of leases were reclassified on the Transition Date from finance leases to operating leases. As a result, obligations under finance leases, and the associated equipment assets, decreased by \$7.1 on the balance sheet. The effect on retained earnings was negligible.*

## (h) INCOME TAXES:

### **Intercompany transactions:**

**Canadian GAAP** - The recognition of deferred taxes relating to temporary differences arising from intercompany transactions is prohibited.

**IFRS** – There is no such prohibition under IFRS.

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**Impact on TMX Group** – *Deferred tax assets were reduced by \$0.3 on transition, with the offset to retained earnings.*

**Income tax effect of the other adjustments between pre-conversion Canadian GAAP and IFRS:**

Income tax adjustments related to the IFRS transition include the effect of recording, where applicable, the deferred tax effect of the other differences between pre-conversion Canadian GAAP and IFRS discussed above. These tax impacts have been included in the notes above.

(i) **FINANCIAL INSTRUMENTS:**

**Canadian GAAP** – Available-for-sale investments in equity instruments that do not have quoted prices on an active market are carried at cost less any impairment losses.

**IFRS** – Available-for-sale investments in equity instruments that do not have quoted prices on an active market are measured at fair value at each reporting period provided the fair value can be reliably measured. Changes in fair value, except for impairment losses and certain foreign exchange gains or losses, are recognized in other comprehensive income until the assets are sold.

**Impact on TMX Group** – *This difference had no impact on TMX Group on the Transition Date.*

**Presentation:**

The following describes differences in presentation between TMX Group's IFRS financial statements and those prepared in accordance with pre-conversion Canadian GAAP.

(j) **NON-CONTROLLING INTERESTS:**

**Canadian GAAP** – Non-controlling interests were presented between liabilities and shareholders' equity in the balance sheet and as a component of net earnings in the income statement.

**IFRS** – Non-controlling interests are classified as a component of equity, separate from the equity of the parent company, in the balance sheet and their portion of the results is presented as an allocation of earnings.

(k) **RESTRICTED CASH:**

**Canadian GAAP** – Cash and cash equivalents subject to restrictions were presented separately on the balance sheet.

**IFRS** – Cash and cash equivalents subject to restrictions are not required to be presented separately on the face of the balance sheet.

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## (l) DEFERRED TAX RECLASSIFICATION:

**Canadian GAAP** – Deferred taxes (previously future income taxes) were split between short-term and long-term components based on either (i) the underlying asset or liability or (ii) the expected reversal of items not related to a particular asset or liability.

**IFRS** – All deferred tax balances are classified as non-current.

## (m) CURRENT TAX RECLASSIFICATION:

**Canadian GAAP** – Current income taxes were offset if they related to the same legal entity and the same taxation authority.

**IFRS** – Current taxes are only offset if there is a legally enforceable right to offset and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities but TMX Group intends to either settle on a net basis or to realize the asset and settle the liability simultaneously.

## (n) PRESENTATION OF PROVISIONS:

**Canadian GAAP** – TMX Group presented provisions as part of Trade and other payables or Other non-current liabilities on the balance sheet.

**IFRS** – Provisions will be presented separately if significant.

## (o) RECLASSIFICATION OF PENSION ASSETS AND LIABILITIES:

**Canadian GAAP** – Accrued benefit assets and liabilities relating to TMX Group's pension plans were offset for balance sheet presentation.

**IFRS** – An accrued benefit asset relating to one plan can only be offset against an accrued benefit liability of another plan if there is a legally enforceable right to offset and TMX Group intends to settle obligations on a net basis or simultaneously.

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## Reconciliation of Consolidated Balance Sheet as at January 1, 2010

	Canadian GAAP balance	IFRS adjustments	IFRS reclassifications	IFRS balance
<b>Assets</b>				
Cash and cash equivalents	\$ 88.0	\$ -	\$ 0.9	\$ 88.9
Marketable securities	103.2	-	-	103.2
Restricted cash	0.9	-	(0.9)	-
Trade and other receivables	79.4	-	-	79.4
Energy contracts receivable	714.5	-	-	714.5
Fair value of open energy contracts	202.8	-	-	202.8
Daily settlements and cash deposits	565.4	-	-	565.4
Prepaid expenses	6.0	-	-	6.0
Current income tax assets	4.6	-	7.7	12.3
Deferred tax assets	26.7	(24.0)	(2.7)	-
	<b>1,791.5</b>	<b>(24.0)</b>	<b>5.0</b>	<b>1,772.5</b>
Premises and equipment	31.5	(7.1)	-	24.4
Investment in equity accounted investee	12.8	-	-	12.8
Goodwill	583.8	(161.3)	-	422.5
Other intangible assets	932.4	(0.4)	-	932.0
Deferred tax assets	144.6	(105.6)	2.7	41.7
Other non-current assets	27.8	(8.2)	1.6	21.2
<b>Total Assets</b>	<b>\$ 3,524.4</b>	<b>\$ (306.6)</b>	<b>\$ 9.3</b>	<b>\$ 3,227.1</b>
<b>Liabilities and Equity</b>				
Trade and other payables	\$ 44.9	\$ (0.1)	\$ (0.9)	\$ 43.9
Energy contracts payable	714.5	-	-	714.5
Fair value of open energy contracts	202.8	-	-	202.8
Daily settlements and cash deposits	565.4	-	-	565.4
Deferred revenue	15.1	-	-	15.1
Deferred revenue – initial & additional listing fees	78.0	(78.0)	-	-
Obligation under finance leases	3.4	(2.7)	(0.7)	-
Deferred tax liabilities	0.1	-	(0.1)	-
Provisions	-	-	1.2	1.2
Current income tax liabilities	3.2	-	7.7	10.9
Fair value of interest rate swaps	2.1	-	-	2.1
	<b>1,629.5</b>	<b>(80.8)</b>	<b>7.2</b>	<b>1,555.9</b>
Accrued employee benefits payable	12.8	(3.5)	1.6	10.9
Obligations under finance leases	5.5	(4.4)	(1.1)	-
Deferred tax liabilities	234.7	(1.9)	0.1	232.9
Other non-current liabilities	21.9	(0.6)	2.4	23.7
Deferred revenue	0.9	-	(0.9)	-
Deferred revenue – initial & additional listing fees	405.1	(405.1)	-	-
Fair value of interest rate swaps	3.6	-	-	3.6
Term loan	429.0	-	-	429.0
<b>Total Liabilities</b>	<b>2,743.0</b>	<b>(496.3)</b>	<b>9.3</b>	<b>2,256.0</b>
<b>Non-controlling Interests</b>	10.8	9.3	(20.1)	-
<b>Equity</b>				
Share capital	1,102.6	(144.7)	-	957.9
Deficit	(343.9)	327.4	-	(16.5)
Contributed surplus	8.7	0.9	-	9.6
Accumulated other comprehensive income	3.2	(3.2)	-	-
Total Shareholders' Equity	770.6	180.4	-	951.0
Non-controlling Interests	-	-	20.1	20.1
<b>Total Equity</b>	<b>770.6</b>	<b>180.4</b>	<b>20.1</b>	<b>971.1</b>
<b>Total Liabilities and Equity</b>	<b>\$ 3,524.4</b>	<b>\$ (306.6)</b>	<b>\$ 9.3</b>	<b>\$ 3,227.1</b>

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## Reconciliation of Consolidated Income Statement for the three months ended March 31, 2010

	Canadian GAAP balance	IFRS adjustments	IFRS reclassifications	IFRS balance
<b>Revenue</b>				
Issuer services	\$ 39.7	\$ 9.7	\$ -	\$ 49.4
Trading, clearing and related	59.0	-	-	59.0
Information services	37.4	-	-	37.4
Technology services and other	3.6	-	-	3.6
	139.7	9.7	-	149.4
<b>Expenses</b>				
Compensation and benefits	32.2	0.1	-	32.3
Information and trading systems	12.1	0.7	-	12.8
General and administration	16.9	-	-	16.9
Depreciation and amortization	8.4	(0.8)	-	7.6
	69.6	-	-	69.6
<b>Income from operations</b>	<b>70.1</b>	<b>9.7</b>	<b>-</b>	<b>79.8</b>
Share of net income of equity accounted investee	0.3	-	-	0.3
Finance income (costs):				
Finance income	0.8	-	-	0.8
Finance costs	(1.3)	0.1	-	(1.2)
Net mark to market on interest rate swaps	(0.1)	-	-	(0.1)
<b>Income before income taxes</b>	<b>69.8</b>	<b>9.8</b>	<b>-</b>	<b>79.6</b>
Income tax expense	21.1	1.8	-	22.9
Non-controlling interests	(0.4)	-	0.4	-
<b>Net income</b>	<b>\$ 49.1</b>	<b>\$ 8.0</b>	<b>\$ (0.4)</b>	<b>\$ 56.7</b>
<b>Attributable to:</b>				
Equity holders of the Company	\$ 49.1	\$ 8.0	\$ -	\$ 57.1
Non-controlling interests	-	-	(0.4)	(0.4)
<b>Earnings per share:</b>				
Basic	\$ 0.66			\$ 0.77
Diluted	\$ 0.66			\$ 0.77

## Reconciliation of Consolidated Statement of Comprehensive Income for the three months ended March 31, 2010

	Canadian GAAP balance	IFRS adjustments	IFRS reclassifications	IFRS balance
<b>Net income</b>	<b>\$ 49.1</b>	<b>\$ 8.0</b>	<b>\$ (0.4)</b>	<b>\$ 56.7</b>
<b>Other comprehensive (loss) income:</b>				
Unrealized (loss) gain on translating financial statements of self-sustaining foreign operations (net taxes of \$nil)	(2.7)	0.4	(0.7)	(3.0)
Change in fair value of available-for-sale financial assets (net taxes of \$85)	-	(0.3)	-	(0.3)
<b>Comprehensive income</b>	<b>\$ 46.4</b>	<b>\$ 8.1</b>	<b>\$ (1.1)</b>	<b>\$ 53.4</b>
<b>Attributable to:</b>				
Equity holders of the Company	\$ 46.4	\$ 8.1	\$ -	\$ 54.5
Non-controlling interests	-	-	(1.1)	(1.1)

# TMX GROUP INC.

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(Unaudited)

## Reconciliation of Consolidated Balance Sheet as at March 31, 2010

Canadian GAAP line items	Canadian GAAP balance	IFRS adjustments	IFRS reclassifications	IFRS balance
<b>Assets</b>				
Cash and cash equivalents	\$ 66.5	\$ -	\$ 0.9	\$ 67.4
Marketable securities	159.5	-	-	159.5
Restricted cash	0.9	-	(0.9)	-
Trade and other receivables	99.8	-	-	99.8
Energy contracts receivable	794.1	-	-	794.1
Fair value of open energy contracts	329.8	-	-	329.8
Daily settlements and cash deposits	321.7	-	-	321.7
Prepaid expenses	8.6	-	-	8.6
Current income tax assets	9.4	-	7.7	17.1
Deferred tax assets	28.1	(24.2)	(3.9)	-
	<b>1,818.4</b>	<b>(24.2)</b>	<b>3.8</b>	<b>1,798.0</b>
Premises and equipment	34.5	(7.1)	-	27.4
Investment in equity accounted investee	13.1	-	-	13.1
Goodwill	583.1	(161.3)	-	421.8
Other intangible assets	927.7	(0.5)	-	927.2
Deferred tax assets	147.6	(106.9)	3.9	44.6
Other non-current assets	28.2	(8.5)	1.7	21.4
<b>Total Assets</b>	<b>\$ 3,552.6</b>	<b>\$ (308.5)</b>	<b>\$ 9.4</b>	<b>\$ 3,253.5</b>
<b>Liabilities and Equity</b>				
Trade and other payables	\$ 32.9	\$ (0.1)	\$ (0.8)	\$ 32.0
Energy contracts payable	794.1	-	-	794.1
Fair value of open energy contracts	329.8	-	-	329.8
Daily settlements and cash deposits	321.7	-	-	321.7
Deferred revenue	66.6	-	-	66.6
Deferred revenue – initial & additional listing fees	80.4	(80.4)	-	-
Obligation under finance leases	3.8	(3.0)	(0.8)	-
Deferred tax liabilities	0.1	-	(0.1)	-
Provisions	-	-	1.2	1.2
Current income tax liabilities	0.1	-	7.7	7.8
Fair value of interest rate swaps	1.3	-	-	1.3
	<b>1,630.8</b>	<b>(83.5)</b>	<b>7.2</b>	<b>1,554.5</b>
Accrued employee benefits payable	12.8	(3.5)	1.7	11.0
Obligations under finance leases	5.5	(4.1)	(1.4)	-
Deferred tax liabilities	237.7	(1.9)	0.1	235.9
Other non-current liabilities	20.5	(0.3)	2.8	23.0
Deferred revenue	1.0	-	(1.0)	-
Deferred revenue – initial & additional listing fees	412.4	(412.4)	-	-
Fair value of interest rate swaps	2.8	-	-	2.8
Term loan	429.2	-	-	429.2
<b>Total Liabilities</b>	<b>2,752.7</b>	<b>(505.7)</b>	<b>9.4</b>	<b>2,256.4</b>
<b>Non-controlling Interests</b>	10.2	8.8	(19.0)	-
<b>Equity</b>				
Share capital	1,102.7	(144.7)	-	958.0
(Deficit) Retained earnings	(322.9)	335.5	-	12.6
Contributed surplus	9.3	0.8	-	10.1
Accumulated other comprehensive income (loss)	0.6	(3.2)	-	(2.6)
Total Shareholders' Equity	789.7	188.4	-	978.1
Non-controlling Interests	-	-	19.0	19.0
<b>Total Equity</b>	<b>789.7</b>	<b>188.4</b>	<b>19.0</b>	<b>997.1</b>
<b>Total Liabilities and Equity</b>	<b>\$ 3,552.6</b>	<b>\$ (308.5)</b>	<b>\$ 9.4</b>	<b>\$ 3,253.5</b>

# TMX GROUP INC.

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## Reconciliation of Consolidated Balance Sheet as at December 31, 2010

Canadian GAAP line items	Canadian GAAP balance	IFRS adjustments	IFRS reclassifications	IFRS balance
<b>Assets</b>				
Cash and cash equivalents	\$ 68.8	\$ -	\$ 1.1	\$ 69.9
Marketable securities	261.6	-	-	261.6
Restricted cash	1.1	-	(1.1)	-
Trade and other receivables	89.7	-	-	89.7
Energy contracts receivable	754.9	-	-	754.9
Fair value of open energy contracts	141.9	-	-	141.9
Daily settlements and cash deposits	193.1	-	-	193.1
Prepaid expenses	6.7	-	-	6.7
Current income tax assets	3.1	-	1.2	4.3
Deferred tax assets	29.6	(25.5)	(4.1)	-
	<b>1,550.5</b>	<b>(25.5)</b>	<b>(2.9)</b>	<b>1,522.1</b>
Premises and equipment	33.6	(5.2)	-	28.4
Investment in equity accounted investee	14.2	-	-	14.2
Other intangible assets	920.5	(0.4)	-	920.1
Goodwill	582.6	(161.3)	-	421.3
Deferred tax assets	152.5	(113.2)	4.1	43.4
Other non-current assets	28.0	(13.6)	1.9	16.3
<b>Total Assets</b>	<b>\$ 3,281.9</b>	<b>\$ (319.2)</b>	<b>\$ 3.1</b>	<b>\$ 2,965.8</b>
<b>Liabilities and Equity</b>				
Trade and other payables	\$ 59.1	\$ (0.7)	\$ 0.2	\$ 58.6
Energy contracts payable	754.9	-	-	754.9
Fair value of open energy contracts	141.9	-	-	141.9
Daily settlements and cash deposits	193.1	-	-	193.1
Deferred revenue	18.7	-	-	18.7
Deferred revenue – initial & additional listing fees	88.9	(88.9)	-	-
Obligation under finance leases	3.3	(2.6)	(0.7)	-
Provisions	-	-	0.4	0.4
Current income tax liabilities	6.1	-	1.2	7.3
Fair value of interest rate swaps	0.7	-	-	0.7
Term loan	429.8	-	-	429.8
	<b>1,696.5</b>	<b>(92.2)</b>	<b>1.1</b>	<b>1,605.4</b>
Accrued employee benefits payable	12.8	(2.6)	1.9	12.1
Obligations under finance leases	3.8	(2.7)	(1.1)	-
Deferred tax liabilities	236.7	(3.2)	-	233.5
Other non-current liabilities	23.3	(0.1)	2.2	25.4
Deferred revenue	1.0	-	(1.0)	-
Deferred revenue – initial & additional listing fees	444.3	(444.3)	-	-
<b>Total Liabilities</b>	<b>2,418.4</b>	<b>(545.1)</b>	<b>3.1</b>	<b>1,876.4</b>
<b>Non-controlling Interests</b>	10.4	8.4	(18.8)	-
<b>Equity</b>				
Share capital	1,104.1	(144.7)	-	959.4
(Deficit) Retained earnings	(261.7)	364.1	-	102.4
Contributed surplus	11.2	0.8	-	12.0
Accumulated other comprehensive income (loss)	(0.5)	(2.7)	-	(3.2)
<b>Total Shareholders' Equity</b>	<b>853.1</b>	<b>217.5</b>	<b>-</b>	<b>1,070.6</b>
<b>Non-controlling Interests</b>	<b>-</b>	<b>-</b>	<b>18.8</b>	<b>18.8</b>
<b>Total Equity</b>	<b>853.1</b>	<b>217.5</b>	<b>18.8</b>	<b>1,089.4</b>
<b>Total Liabilities and Equity</b>	<b>\$ 3,281.9</b>	<b>\$ (319.2)</b>	<b>\$ 3.1</b>	<b>\$ 2,965.8</b>



# TMX GROUP INC.

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## Reconciliation of Consolidated Income Statement for the year ended December 31, 2010

	Canadian GAAP balance	IFRS adjustments	IFRS reclassifications	IFRS balance
<b>Revenue</b>				
Issuer services	\$ 163.0	\$ 50.1	\$ -	\$ 213.1
Trading, clearing and related	242.2	-	-	242.2
Information services	154.4	-	-	154.4
Technology services and other	15.9	-	-	15.9
	575.5	50.1	-	625.6
<b>Expenses</b>				
Compensation and benefits	133.5	-	-	133.5
Information and trading systems	47.8	2.9	-	50.7
General and administration	73.0	-	-	73.0
Depreciation and amortization	32.3	(2.9)	-	29.4
	286.6	-	-	286.6
<b>Income from operations</b>	<b>288.9</b>	<b>50.1</b>	<b>-</b>	<b>339.0</b>
Share of net income of equity accounted investee	1.3	-	-	1.3
Loss from investments carried at cost	(1.7)	-	-	(1.7)
Finance income (costs):				
Finance income	5.2	-	-	5.2
Finance costs	(6.2)	0.2	-	(6.0)
Net mark to market on interest rate swaps	(0.2)	-	-	(0.2)
<b>Income before income taxes</b>	<b>287.3</b>	<b>50.3</b>	<b>-</b>	<b>337.6</b>
Income tax expense	90.7	9.4	-	100.1
Non-controlling interests	0.1	-	(0.1)	-
<b>Net income</b>	<b>\$ 196.5</b>	<b>\$ 40.9</b>	<b>\$ 0.1</b>	<b>\$ 237.5</b>
<b>Attributable to:</b>				
Equity holders of the Company	\$ 196.5	\$ 41.2	\$ -	\$ 237.7
Non-controlling interests	-	(0.3)	0.1	(0.2)
<b>Earnings per share:</b>				
Basic	\$ 2.64			\$ 3.20
Diluted	\$ 2.64			\$ 3.19

## Reconciliation of Consolidated Statement of Comprehensive Income for the year ended December 31, 2010

	Canadian GAAP balance	IFRS adjustments	IFRS reclassifications	IFRS balance
<b>Net income</b>	<b>\$ 196.5</b>	<b>\$ 40.9</b>	<b>\$ 0.1</b>	<b>\$ 237.5</b>
<b>Other comprehensive (loss) income:</b>				
Unrealized (loss) gain on translating financial statements of self-sustaining foreign operations (net taxes of \$nil)	(3.7)	0.5	(1.1)	(4.3)
Actuarial gains (losses) on defined benefit pension and other post retirement benefit plans (net of taxes of \$1.5)	-	(4.5)	-	(4.5)
<b>Comprehensive income</b>	<b>\$ 192.8</b>	<b>\$ 36.9</b>	<b>\$ (1.0)</b>	<b>\$ 228.7</b>
<b>Attributable to:</b>				
Equity holders of the Company	\$ 192.8	\$ 37.2	\$ -	\$ 230.0
Non-controlling interests	-	(0.3)	(1.0)	(1.3)

# TMX GROUP INC.

Notes to Interim Consolidated Financial Statements  
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## 12. Selected annual disclosures under IFRS

Certain disclosures required in a company's annual financial statements prepared under IFRS are different or additional to those required under pre conversion Canadian GAAP. Such disclosures would therefore not have been included in TMX Group's 2010 annual financial statements prepared in accordance with pre-conversion Canadian GAAP. As a result, certain disclosures generally only required in annual IFRS financial statements have been included, where considered material, in these interim financial statements, the first prepared by TMX Group in accordance with IFRS.

### a) Goodwill and intangible assets:

#### (i) Goodwill and intangible assets – indefinite life

A summary of the changes in goodwill and indefinite life intangible assets is as follows:

	Goodwill	Indefinite life intangibles created on acquisition
Balance as at January 1, 2010	\$ 422.5	\$ 677.9
Effect of movements in exchange rates	(1.2)	-
<b>Balance as at December 31, 2010</b>	<b>\$ 421.3</b>	<b>\$ 677.9</b>

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## (ii) Intangible assets – definite life

A summary of TMX Group's definite life intangible assets is as follows:

	Capitalized software and software development	Customer bases	Data licenses	Total
<b>Cost:</b>				
Balance at January 1, 2010	\$ 40.4	\$ 267.7	\$ 6.5	\$ 314.6
Additions	9.7	-	-	9.7
Disposals	(0.7)	-	-	(0.7)
Effect of movements in exchange rates	(2.1)	(2.0)	-	(4.1)
<b>Balance at December 31, 2010</b>	<b>\$ 47.3</b>	<b>\$ 265.7</b>	<b>\$ 6.5</b>	<b>\$ 319.5</b>
<b>Accumulated amortization:</b>				
Balance at January 1, 2010	\$ 8.3	\$ 50.2	\$ 2.0	\$ 60.5
Charge for the year	9.0	9.6	0.7	19.3
Disposals	(0.7)	-	-	(0.7)
Effect of movements in exchange rates	(0.8)	(1.0)	-	(1.8)
<b>Balance at December 31, 2010</b>	<b>\$ 15.8</b>	<b>\$ 58.8</b>	<b>\$ 2.7</b>	<b>\$ 77.3</b>
<b>Net book values:</b>				
<b>At December 31, 2010</b>	<b>\$ 31.5</b>	<b>\$ 206.9</b>	<b>\$ 3.8</b>	<b>\$ 242.2</b>
At January 1, 2010	\$ 32.1	\$ 217.5	\$ 4.5	\$ 254.1

Approximately 95% of the capitalized software and software development assets at December 31, 2010, were internally developed.

## (iii) Impairment testing

### Goodwill and indefinite life intangible assets

For the purpose of impairment testing, goodwill and indefinite life intangible assets have been allocated to TMX Group's CGUs, which represent the lowest level at which these assets are monitored for internal management purposes. The carrying values of goodwill and indefinite life intangible assets allocated to CGU's are as follows:

CGU	December 31, 2010	
	Goodwill	Indefinite life intangibles
MX	\$ 304.0	\$ 661.1
Other	117.3	16.8
	<b>\$ 421.3</b>	<b>\$ 677.9</b>

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The recoverable amounts of the above CGU's were determined based on value in use calculations, using management's discounted cash flow projections over periods of five to eight years, depending on the CGU, along with a terminal value. Specifically for MX, a cash flow projection period of eight years was used, which is consistent with the original acquisition economics, and reflects the stage of its product life cycle with significant long term growth potential remaining beyond a five year forecast.

The terminal value is the value attributed to the CGU's operations beyond the projected time period. The terminal value for MX was determined using an estimated long-term growth rate of 4.5%, which is based on TMX Group's estimates of expected future operating results, future business plans, economic conditions and a general outlook for the industry in which the CGU operates.

In calculating the recoverable amount of these CGUs, a pre-tax discount rate is used. The pre-tax discount rate applied to MX was 11.9%, which was set considering the weighted average cost of capital of TMX Group and certain risk premiums, based on management's past experience.

No impairment was identified as a result of the tests discussed above for 2010.

The tests referred to above require TMX Group to make various assumptions regarding projected cash flows, including long-term growth rates, and pre-tax discount rates for the various CGU's. These assumptions are subjective judgments based on TMX Group's experience, knowledge of operations and knowledge of the economic environment in which it operates. It is possible that, if future cash flow projections, long-term projections or pre-tax discount rates are significantly different to those used, the outcome of future impairment tests could result in a different outcome with a CGU's goodwill and/or intangible assets being impaired.

As at December 31, 2010, management believes that the goodwill and indefinite life intangibles allocated to the MX CGU are unlikely to be impaired under any reasonable changes in the key assumptions used.

## Definite life intangible assets

At the end of each reporting period, TMX Group assesses whether there is any indication that any of its definite life intangible assets may be impaired, and performs an impairment analysis where indicators are noted.

An impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount, which is the higher of the fair value less costs to sell of the asset and its value-in-use. Where impairment tests were necessary on certain definite life intangibles, TMX Group determined the recoverable amounts based on value in use calculations, which used discounted cash flow projections for the assets over periods of 20 to 28 years, depending on the CGU.

The future cash flows were estimated using long-term growth rates of 3.5% to 3.8% which are based on TMX Group's estimates of expected future operating results, future business plans, economic conditions and a general outlook for the industry in which the CGU operates.

# TMX GROUP INC.

Notes to Interim Consolidated Financial Statements  
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Pre-tax discount rates of 18.3% to 18.8% was used in calculating the recoverable amount of each asset, which was set considering the weighted average cost of capital of TMX Group and certain risk premiums, based on management's past experience.

No impairment was identified as a result of the tests discussed above for 2010.