

Interim Consolidated Financial Statements of

TMX GROUP INC.

(formerly TSX Group Inc.)

Quarters ended June 30, 2008 and 2007

(in thousands of dollars)
(Unaudited)

TMX GROUP INC.

(formerly TSX Group Inc.)
Interim Consolidated Balance Sheets
(In thousands of dollars)
(Unaudited)

	June 30, 2008	December 31, 2007 (audited)
Assets		
Current Assets:		
Cash and cash equivalents	\$118,653	\$53,398
Marketable securities (note 11)	226,930	249,399
Restricted cash (note 1)	1,481	-
Accounts receivable	61,432	48,438
Energy contracts receivable (note 11)	1,025,951	745,378
Fair value of open energy contracts (note 11)	224,925	74,907
Daily settlements and cash deposits (note 11)	153,307	-
Prepaid expenses	11,062	6,561
Future income tax asset (note 2)	26,335	22,840
	1,850,076	1,200,921
Premises and equipment	27,417	21,324
Future income tax asset (note 2)	134,748	131,613
Other assets	22,191	25,869
Investments in affiliates (note 2)	89,068	11,731
Intangible assets (note 2)	862,896	66,578
Goodwill (note 2)	524,267	65,883
Total Assets	\$3,510,663	\$1,523,919
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$56,717	\$48,175
Energy contracts payable (note 11)	1,025,951	745,378
Fair value of open energy contracts (note 11)	224,925	74,907
Daily settlements and cash deposits (note 11)	153,307	-
Deferred revenue	49,540	6,484
Deferred revenue – initial and additional listing fees	66,381	61,820
Obligation under capital lease	44	152
Income taxes payable	6,833	9,724
	1,583,698	946,640
Accrued employee benefits payable	12,474	12,113
Future income tax liability (note 2)	212,559	-
Obligation under capital lease	50	71
Other liabilities	24,083	30,331
Deferred revenue – initial and additional listing fees	380,700	362,854
Term loan (note 4)	428,127	-
Total Liabilities	2,641,691	1,352,009
Shareholders' Equity:		
Share capital (note 7)	1,146,098	379,370
Share option plan (note 6)	4,719	5,060
Deficit	(282,792)	(212,520)
Accumulated other comprehensive income (note 1)	947	-
Total Shareholders' Equity	868,972	171,910
Total Liabilities and Shareholders' Equity	\$3,510,663	\$1,523,919

See accompanying notes to interim consolidated financial statements.

TMX GROUP INC.

(formerly TSX Group Inc)

Interim Consolidated Statements of Income

(In thousands of dollars, except per share amounts)

(Unaudited)

	Three months ended June 30		Six months ended June 30	
	2008	2007	2008	2007
Revenue:				
Issuer services	\$38,317	\$32,248	\$75,956	\$62,396
Trading, clearing and related (note 1)	52,728	42,880	94,753	84,995
Market data (note 1)	33,085	27,787	62,205	54,378
Business services and other (note 1)	5,947	3,449	9,516	5,697
Total revenue	130,077	106,364	242,430	207,466
Expenses:				
Compensation and benefits	25,614	22,331	48,766	47,660
Information and trading systems	8,672	6,525	15,830	13,126
General and administration	13,972	10,199	24,212	21,269
Amortization	6,033	3,771	10,227	7,512
Total operating expenses	54,291	42,826	99,035	89,567
Income from operations	75,786	63,538	143,395	117,899
Income from investments in affiliates (note 2)	368	21	499	62
Investment income	3,371	1,122	7,817	5,109
Interest expense (note 4)	(3,071)	(256)	(3,333)	(483)
Other acquisition related expenses (note 2)	(750)	-	(15,902)	-
Income before income taxes	75,704	64,425	132,476	122,587
Income taxes	26,477	25,297	50,503	47,011
Net income	\$49,227	\$39,128	\$81,973	\$75,576
Earnings per share (note 9):				
Basic	\$0.65	\$0.57	\$1.15	\$1.10
Diluted	0.65	0.57	1.15	1.10

See accompanying notes to interim consolidated financial statements.

TMX GROUP INC.

(formerly TSX Group Inc.)

Interim Consolidated Statements of Comprehensive Income

(In thousands of dollars)

(Unaudited)

	Three months ended		Six months ended	
	June 30		June 30	
	2008	2007	2008	2007
Net income	\$49,227	\$39,128	\$81,973	\$75,576
Other comprehensive income				
Unrealized gain on translating financial statements of a self-sustaining foreign operation (note 1)	947	-	947	-
Comprehensive income	\$50,174	\$39,128	\$82,920	\$75,576

See accompanying notes to interim consolidated financial statements.

TMX GROUP INC.

(formerly TSX Group Inc.)

Interim Consolidated Statements of Changes in Shareholders' Equity

(In thousands of dollars)

(Unaudited)

	Six months ended June 30	
	2008	2007
Common shares:		
Balance, beginning of period	\$379,370	\$387,501
Issuance of common shares (note 2)	806,573	-
Shares purchased under normal course issuer bid (note 7)	(47,644)	-
Proceeds from options exercised	6,246	3,344
Cost of exercised options	1,553	911
Balance, end of period	1,146,098	391,756
Share option plan:		
Balance, beginning of period	5,060	3,942
Cost of exercised options	(1,553)	(911)
Cost of share option plan	903	1,161
Options issued (note 2)	309	-
Balance, end of period	4,719	4,192
Deficit:		
Balance, beginning of period	(212,520)	(164,488)
Transitional adjustment	-	621
Net income	81,973	75,576
Dividends on common shares	(56,158)	(52,142)
Shares purchased under normal course issuer bid (note 7)	(96,087)	-
Balance, end of period	(282,792)	(140,433)
Accumulated other comprehensive income:		
Balance, beginning of period	-	-
Impact of changes in foreign currency rates on net investment in a self-sustaining foreign operation (note 1)	947	-
Balance, end of period	947	-
Shareholders' equity, end of period	\$868,972	\$255,515

See accompanying notes to interim consolidated financial statements.

TMX GROUP INC.

(formerly TSX Group Inc.)

Interim Consolidated Statements of Cash Flows

(In thousands of dollars)

(Unaudited)

	Three months ended		Six months ended	
	June 30		June 30	
	2008	2007	2008	2007
Cash flows from (used in) operating activities:				
Net income	\$49,227	\$39,128	\$81,973	\$75,576
Adjustments to determine net cash flows:				
Amortization	6,033	3,771	10,227	7,512
Unrealized (gain) loss on marketable securities	(40)	3,276	(842)	3,786
(Income) from investments in affiliates	(368)	(21)	(499)	(62)
Cost of share option plan	457	535	903	1,161
Issuance of share options	309	-	309	-
Amortized financing fees	110	-	110	-
Future income tax asset	(3,548)	(6,006)	(3,941)	(10,100)
Accounts receivable and prepaid expenses	2,363	(10,385)	(7,341)	(20,716)
Other assets	4,670	428	3,868	857
Accounts payable and accrued liabilities	1,250	2,617	(4,469)	(9,092)
Long term accrued and other liabilities	2,202	(4,160)	(5,887)	(2,790)
Deferred revenue	(2,077)	9,688	65,261	82,141
Income taxes payable, net	9,642	5,228	(1,688)	(14,920)
	70,230	44,099	137,984	113,353
Cash flows from (used in) financing activities:				
Restricted cash	(74)	-	(74)	-
Reduction in obligation under capital lease	(14)	(203)	(155)	(430)
Proceeds from exercised options	517	273	6,246	3,344
Dividends on common shares	(30,970)	(26,070)	(56,158)	(52,142)
Shares purchased under normal course issuer bid	(134,372)	-	(134,372)	-
Proceeds from term loan, net	428,017	-	428,017	-
Issuance of common shares	806,573	-	806,573	-
	1,069,677	(26,000)	1,050,077	(49,228)
Cash flows from (used in) investing activities:				
Additions to goodwill	(2,142)	-	(2,142)	-
Additions to premises and equipment	(1,905)	(1,193)	(3,264)	(2,207)
Additions to intangible assets	(2,751)	(1,925)	(4,148)	(1,925)
Payment for termination of joint venture (note 2)	(15,152)	-	(15,152)	-
Marketable securities	107,625	(18,911)	72,503	(52,223)
Acquisitions, net of cash acquired (note 2)	(1,170,603)	(8,142)	(1,170,603)	(8,142)
	(1,084,928)	(30,171)	(1,122,806)	(64,497)
Increase (decrease) in cash and cash equivalents	54,979	(12,072)	65,255	(372)
Cash and cash equivalents, beginning of period	63,674	48,718	53,398	37,018
Cash and cash equivalents, end of period	\$118,653	\$36,646	\$118,653	\$36,646
Supplemental cash flow information:				
Interest paid	\$7,345	\$161	\$7,608	\$389
Interest received	3,099	3,979	6,711	8,092
Income taxes paid	20,916	24,818	56,872	71,345

See accompanying notes to interim consolidated financial statements

TMX GROUP INC.

(formerly TSX Group Inc.)

Notes to Interim Consolidated Financial Statements

(In thousands of dollars, except per share amounts)

Six months ended June 30, 2008 and 2007

(Unaudited)

These unaudited interim consolidated financial statements (the “financial statements”) have been prepared by management in accordance with Canadian generally accepted accounting principles (“GAAP”) and the requirements of The Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 1751, “Interim Financial Statements”. The financial statements include the accounts of TMX Group Inc. (following shareholder approval on June 11, 2008 to reflect the business acquisition of Montréal Exchange Inc. on May 1, 2008, the restated Articles of Incorporation were amended to change the name TSX Group Inc./Groupe TSX Inc. to TMX Group Inc./Groupe TMX Inc.) and its subsidiaries, collectively referred to as the “Company”. These financial statements do not contain all disclosures required by Canadian GAAP for annual financial statements, and accordingly, the financial statements should be read in conjunction with the most recently prepared annual financial statements for the year ended December 31, 2007 contained in our 2007 Annual Report.

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

These financial statements follow the same accounting policies and their methods of application as the Company’s consolidated financial statements for the year ended December 31, 2007 except as described in note 1 below.

1. Changes in Accounting Policies:

(a) Basis of presentation:

The consolidated financial statements include the accounts of the Company’s wholly-owned subsidiaries, TSX Inc. (“TSX”), Montréal Exchange Inc. (“MX”) from May 1, 2008 (note 2), Natural Gas Exchange Inc. (“NGX”), Shorcan Brokers Limited (“Shorcan”), The Equicom Group Inc. (“Equicom”) from June 1, 2007, CDEX Inc. (“CDEX”), and the wholly-owned subsidiaries of TSX, MX, TSX Venture Exchange Inc. (“TSX Venture”) and NGX.

(b) Capital maintenance and financial instruments:

Effective January 1, 2008, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants Handbook Section 1535 “Capital Disclosures” which establishes standards for disclosing an entity’s objectives, policies and processes for managing capital, Section 3862, “Financial Instruments – Disclosure” and Section 3863, “Financial Instruments – Presentation”.

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Notes to Interim Consolidated Financial Statements (continued)

(In thousands of dollars, except per share amounts)

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(Unaudited)

The adoption of these new recommendations had no significant impact on the Company's financial accounting policies, however additional financial disclosure related to the nature and risks arising from financial instruments have been included in notes 11, 12 and 13.

(c) MX acquisition:

As a result of the Company's acquisition of MX on May 1, 2008 (note 2), the accompanying consolidated financial statements of the Company include certain accounting policies and disclosures not previously included in the Company's consolidated financial statements and accompanying notes for the year ended December 31, 2007 as follows:

(i) Other comprehensive income or loss

Other comprehensive income or loss represents the unrealized gain or loss on the foreign currency translation of Boston Options Exchange Group LLC ("BOX"), a self-sustaining foreign operation.

(ii) Cash and cash equivalents:

Cash and cash equivalents consist of 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 net income in the period in which they occur. Estimated fair values are determined based on quoted market values.

(iii) Restricted cash:

MX operates a separate regulatory division, responsible for the approval of participants and market regulation, operating on a cost recovery basis. Restricted cash represents the surplus of this regulatory division. An equivalent and off-setting amount is included in accounts payable and accrued liabilities.

(iv) MX Revenue recognition:

Derivatives trading revenue is recognized on the transaction date of the related transaction.

Derivatives clearing revenue is recognized on the settlement date of the related transaction.

Revenue from arrangements provided on a time and materials basis is recognized as the services are provided at the contractual stated price.

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Notes to Interim Consolidated Financial Statements (continued)

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Revenue from licence fees and maintenance services for licences is recognized on a straight-line basis over the term of the contract.

Derivatives market data revenue is recognized based on usage as reported by customers and vendors.

Market regulation fees are recognized in the month in which the services are provided.

(v) Foreign currency translation:

MX holds an investment in BOX, a company subject to significant influence located in the United States, which is considered to be a self-sustaining foreign operation. Accordingly, this investment is translated into Canadian dollars at the rate of exchange in effect at the balance sheet date, and the resulting unrealized exchange gain or loss is included in the accumulated other comprehensive income in shareholders' equity.

(d) Future accounting changes:

(i) Goodwill and intangible assets:

In February 2008, the CICA issued CICA Handbook Section 3064 – Goodwill and Intangible Assets, which replaces CICA Handbook Section 3062 – Goodwill and Other Intangible Assets as well as CICA Handbook Section 3450 – Research and Development. This new standard provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets. As this standard applies to interim and annual financial statements for fiscal years beginning on or after October 1, 2008, the Company will adopt this new standard effective January 1, 2009 (the first day of the Company's 2009 fiscal year) retrospectively with a restatement of prior periods. The Company is currently examining the impact this new standard will have on its financial statements and disclosures.

(ii) International Financial Reporting Standards ("IFRS"):

In February 2008, the CICA announced that Canadian GAAP for publicly accountable enterprises will be replaced by International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011. Companies will be required to provide IFRS comparative information for the previous fiscal year. Accordingly, the conversion from Canadian GAAP to IFRS will be applicable to the Company's reporting for the first quarter of 2011 for which the current and comparative information will be prepared under IFRS. The Company is currently assessing the impact of the transition to IFRS. If we decide to proceed with early adoption of IFRS the Company would be required to obtain exemptive relief from Canadian Securities regulators.

TMX GROUP INC.

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Notes to Interim Consolidated Financial Statements (continued)

(In thousands of dollars, except per share amounts)

Six months ended June 30, 2008 and 2007

(Unaudited)

2. Business acquisitions:

On May 1, 2008, the Company acquired 100% of the outstanding common shares of MX. The principal business activity of MX is to provide a marketplace for the buying and selling of derivative products. Its subsidiary, Canadian Derivatives Clearing Corporation ("CDCC"), is the issuer, clearing house and guarantor for options and futures contracts traded at the MX as well as certain other over-the-counter products. In addition to CDCC, MX also holds a 51% interest in Montréal Climate Exchange Inc. ("MCeX") which was created in partnership with the Chicago Climate Exchange Inc., a 50% interest in Canadian Resources Exchange Inc. ("CAREX") a joint venture created with NYMEX Holdings Inc. ("NYMEX") and a 31% interest in BOX, a U.S. automated equity options market for which MX is the technical operator. The aggregate estimated purchase price consisted of:

Common shares of TMX Group (15,316,608 shares issued)	\$806,573
Cash	428,200
Estimated direct transaction costs	8,100
Estimated restructuring costs	7,620
Fair value of MX share options exchanged	1,417
Aggregate estimated purchase price	\$1,251,910

The acquisition was accounted for under the purchase method and the results of operations have been included in the consolidated statement of income from the date of acquisition.

The purchase price and the purchase price allocation are estimated at this time and will be finalized in the upcoming months as the estimates for direct transaction costs and restructuring costs become final. The TMX Group shares issued as part of the transaction were valued at \$52.66 per share. The \$52.66 per share represents the volume weighted average market price of TMX Group common shares over a reasonable period before and after December 10, 2007, the day the acquisition of the MX was announced. The estimated purchase price has been allocated to the fair values of the assets acquired and liabilities assumed as follows:

TMX GROUP INC.

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Notes to Interim Consolidated Financial Statements (continued)

(In thousands of dollars, except per share amounts)

Six months ended June 30, 2008 and 2007

(Unaudited)

	Net assets acquired
Cash and cash equivalents	\$81,307
Marketable securities	49,192
Restricted cash	1,407
Daily settlements and cash deposits	193,117
Other current assets	11,357
Premises and equipment	8,218
Investment in affiliate	75,895
Other assets	190
Future income tax asset	3,019
Intangible assets	796,977
Goodwill	456,241
Net tangible and intangible assets acquired	1,676,920
Less liabilities assumed:	
Current liabilities	19,005
Daily settlements and cash deposits	193,117
Future income tax liability	212,888
Total net assets acquired	\$1,251,910

The Company recognized \$1,253,218 of goodwill and intangible assets as part of the acquisition. The details of these assets are as follows:

Description	Amount	Amortization Period
Goodwill	456,241	n/a
Derivative products	630,926	Not amortized
Trading participants	126,466	30 years
Trade names	28,214	Not amortized
Capitalized software	7,942	5 years
Regulatory designation	2,000	Not amortized
Open interest	1,429	6 months
Total goodwill and intangible assets	1,253,218	

During the three months and six months ended June 30, 2008, the Company recognized amortization expense of \$1,730 and \$1,730 respectively (three months and six months ended June 30, 2007 - \$Nil and \$Nil).

The goodwill acquired is not deductible for tax purposes.

TMX GROUP INC.

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Notes to Interim Consolidated Financial Statements (continued)

(In thousands of dollars, except per share amounts)

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(Unaudited)

Other acquisition related expenses represent non-recurring costs associated with the acquisition of MX. During the three months ended June 30, 2008, the Company recognized \$750 in non-recurring costs. For the six months ended June 30, 2008, the Company recognized \$15,902 in non-recurring costs which includes a loss on termination of joint venture of \$15,152.

In connection with the acquisition of the MX, the Company provided International Securities Exchange, Inc. ("ISE") with a notice of a competing transaction as required under the terms of the CDEX shareholders' agreement, which was created to operate DEXTM a new derivatives exchange. As the parties were unable to agree to an alternative business arrangement, originally by January 10, 2008 and subsequently extended to March 31, 2008 through an amending agreement, the Company acquired 100% ownership of CDEX and paid ISE \$15,152 on April 1, 2008.

In addition, on December 21, 2007, MX entered into an agreement to increase its ownership position in BOX from 31% to 53% for U.S. \$52,533 in cash. The acquisition is subject to regulatory approval and will be financed by existing cash resources. The acquisition is expected to close in the third quarter of 2008.

3. Segmented information:

The Company operates in three reportable segments; the Cash Markets ("Cash") segment, the Energy Markets ("Energy") segment and the Derivatives Markets ("Derivatives") segment. In the Cash segment, the Company 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. The Energy segment provides a marketplace for the trading and clearing of natural gas and electricity contracts through NGX. The Derivatives segment provides a marketplace for trading derivatives, clearing options and futures contracts and certain over-the-counter products through MX and its subsidiaries, CDCC, MceX and CAREX.

TMX GROUP INC.

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Notes to Interim Consolidated Financial Statements (continued)

(In thousands of dollars, except per share amounts)

Six months ended June 30, 2008 and 2007

(Unaudited)

	Cash	Energy	Derivatives	Total
2008				
Issuer services	\$38,317	\$-	\$-	\$38,317
Trading, clearing and related	36,447	7,276	9,005	52,728
Market data	31,130	-	1,955	33,085
Business services and other	2,954	66	2,927	5,947
Total revenues	108,848	7,342	13,887	130,077
Net income	43,921	1,489	3,867	49,227
Goodwill	46,747	21,279	456,241	524,267
Total assets	568,024	1,310,060	1,632,579	3,510,663
2007				
Issuer services	\$32,248	\$-	\$-	\$32,248
Trading, clearing and related	37,987	4,893	-	42,880
Market data	27,615	172	-	27,787
Business services and other	3,218	231	-	3,449
Total revenues	101,068	5,296	-	106,364
Net income	38,068	1,060	-	39,128
Goodwill	44,413	21,279	-	65,692
Total assets	719,132	869,229	-	1,588,361

* Includes results from dates of acquisitions in the year

	Cash	Energy	Derivatives	Total
2008				
Issuer services	\$75,956	\$-	\$-	\$75,956
Trading, clearing and related	71,883	13,865	9,005	94,753
Market data	60,180	70	1,955	62,205
Business services and other	6,535	54	2,927	9,516
Total revenue	214,554	13,989	13,887	242,430
Net income	74,942	3,164	3,867	81,973
Goodwill	46,747	21,279	456,241	524,267
Total assets	568,024	1,310,060	1,632,579	3,510,663
2007				
Issuer services	\$62,396	\$-	\$-	\$62,396
Trading, clearing and related	75,310	9,685	-	84,995
Market data	54,050	328	-	54,378
Business services and other	5,464	233	-	5,697
Total revenue	197,220	10,246	-	207,466
Net income	73,908	1,668	-	75,576
Goodwill	44,413	21,279	-	65,692
Total assets	719,132	869,229	-	1,588,361

* Includes results from dates of acquisitions in the year

TMX GROUP INC.

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Notes to Interim Consolidated Financial Statements (continued)

(In thousands of dollars, except per share amounts)

Six months ended June 30, 2008 and 2007

(Unaudited)

4. Credit facilities:

As a result of the acquisition of MX, the Company has added the following credit facilities:

	Interest rate	Year of maturity	Authorized	Amount drawn
TMX Group Non-revolving three year term facility	90 day B.A. + 45 bps	2011	\$430,000	\$430,000
TMX Group Revolving three year term facility	-	2011	50,000	-
MX operating line of credit	-	N/A	3,000	-
CDCC revolving standby credit facility	-	N/A	30,000	-
Total credit facilities			\$513,000	\$430,000

In connection with the acquisition of MX, the Company established a non-revolving three-year term credit facility of \$430,000 and a revolving three-year credit facility of \$50,000. The Company may draw on these facilities in Canadian dollars by way of prime rate loans and/or Bankers' Acceptances or in U.S. dollars by way of LIBOR loans and/or U.S. base rate loans. On April 30, 2008, the Company drew \$430,000. As of June 30, 2008, the Company has prepaid \$1,873 of financing fees, which leaves a net credit facility liability of \$428,127. These financing fees will be amortized over the remaining term of the loan.

MX has an outstanding letter of credit for \$2,120 issued against the MX operating line of credit. This letter of credit has been issued as a guarantee to the trustee under the MX employee future benefit plan in respect of accrued future employee benefits.

The credit facilities are unsecured and include certain covenants that the Company must maintain. The Company was in compliance with these covenants at June 30, 2008.

During the three months and six months ended June 30, 2008, the Company recognized interest expense of \$2,792 (three months and six months ended June 30, 2007 - \$Nil) which included \$110 of amortized financing fees.

5. Interest rate swaps:

The Company has entered into a series of interest rate swap agreements to manage its exposure to interest rate fluctuations on the non-revolving three year term facility. The swap

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(In thousands of dollars, except per share amounts)

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agreements will become effective August 28, 2008. The details of the swap agreements are as follows:

Swap number	Notional value	Interest rate the Company will receive	Interest rate the Company will pay	Maturity date
#1	\$100,000	90 day B.A.	3.496%	August 31, 2009
#2	\$100,000	90 day B.A.	3.749%	August 31, 2010
#3	\$100,000	90 day B.A.	3.829%	April 18, 2011

6. Share option plan:

The Company established a share option plan in 2002, the year of its initial public offering. All employees of the Company and those of its designated subsidiaries at or above the director level are eligible to be granted share options under the share option plan.

On May 1, 2008, in connection with the acquisition of MX, the Company issued share options to holders of MX share options using an exchange ratio of 0.7784 for each MX share option exchanged. The Company issued 162,194 share options (the "replacement options") in exchange for 208,400 MX share options. The replacement options granted will vest based 50% on the passage of time and 50% on achieving certain performance criteria over a four year period of time.

Only those replacement options not subject to performance criteria have been included in the aggregate purchase price (note 2).

According to the terms of the Company'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 the Company. 4,283,742 common shares of the Company remain reserved for issuance upon exercise of share options granted under the plan, representing approximately 5% of the outstanding common shares of the Company. 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 2008: dividend yield of 2.9 percent; expected volatility of 23.6 percent; risk-free interest rate of 4.1 percent and expected life of 7 years.

Options granted will expire in 2011, 2012, 2013, 2014 and 2015.

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Notes to Interim Consolidated Financial Statements (continued)

(In thousands of dollars, except per share amounts)

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(Unaudited)

Share options:

	Three months ended June 30, 2008		Three months ended June 30, 2007	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of the period	808,978	\$36.34	1,114,129	\$31.80
Granted	209,535	52.72	6,013	43.68
Forfeited	(3,984)	47.12	(64,905)	45.15
Exercised	(31,606)	16.36	(15,796)	17.28
Outstanding, end of the period	982,923	\$40.43	1,039,441	\$31.26

	Six months ended June 30, 2008		Six months ended June 30, 2007	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of the period	973,522	\$31.64	1,096,650	\$25.17
Granted	376,228	49.40	213,484	52.78
Forfeited	(66,425)	51.17	(67,533)	44.88
Exercised	(300,402)	20.79	(203,160)	16.46
Outstanding, end of the period	982,923	\$40.43	1,039,441	\$31.26

At June 30, 2008, 486,325 options were fully vested and exercisable at strike prices in the range of \$ 1.72 to \$ 53.04. During the three months ended June 30, 2008, the Company recognized compensation cost of \$457 (three months ended June 30, 2007 - \$535) in respect of its share option plans.

During the six months ended June 30, 2008, the Company recognized compensation cost of \$903 (six months ended June 30, 2007 - \$1,161) in respect of its share option plan.

7. Share capital :

During the period, the Company both issued and repurchased for cancellation common shares of the Company. The following transactions occurred with respect to the Company's common shares:

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	Three months ended		Six months ended	
	June 30, 2008		June 30, 2008	
	Number of		Number of	
	common		common	
	shares	\$	shares	\$
Beginning of the period	66,547,166	\$386,526	66,278,370	\$379,370
Issued (note 2)	15,316,608	806,573	15,316,608	806,573
Repurchased and cancelled(note 8)	(3,048,058)	(47,644)	(3,048,058)	(47,644)
Options exercised	31,606	643	300,402	7,799
End of the period	78,847,322	\$1,146,098	78,847,322	1,146,098

8. Normal course issuer bid:

In connection with the Company's normal course issuer bid ("NCIB") announced on August 1, 2007 the company entered into a new pre-defined automatic purchase plan with its designated broker. From May 2, 2008 to June 30, 2008, the Company purchased 3,269,776 common shares at an aggregate cost of \$143,731 of which \$47,644 was charged to share capital and the excess of the cost of the NCIB over the stated value of the common shares of \$96,087 was charged to deficit. At the end of the period, 221,718 shares of the 3,269,776 repurchased had yet to be received and cancelled.

9. Earnings per share:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2008	2007	2008	2007
Net income	\$49,227	\$39,128	\$81,973	\$75,576
Weighted average number of common shares outstanding	75,948,133	68,614,623	71,133,890	68,570,273
Basic earnings per share	\$0.65	\$0.57	\$1.15	\$1.10
Diluted weighted average number of common shares outstanding	76,122,180	68,974,143	71,375,618	69,002,396
Diluted earnings per share	\$0.65	\$0.57	\$1.15	\$1.10

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10. Employee future benefits:

Total retirement benefit cost for the three months ended June 30, 2008 was \$1,444 (three months ended June 30 2007 - \$1,882) and for the six months ended June 30, 2008 was \$2,831 (six months ended June 30, 2007 – \$3,770).

11. Financial Instruments:

The Company has classified the significant impacts of its financial instruments as follows:

(a) Financial instruments – carrying values and fair values:

	June 30, 2008		December 31, 2007	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Held for trading:				
Cash and cash equivalents	\$ 118,653	\$ 118,653	\$ 53,398	\$ 53,398
Marketable securities	226,930	226,930	249,399	249,399
Restricted cash	1,481	1,481	-	-
Loans and receivables:				
Accounts receivable – trade	59,763	59,763	42,989	42,989
Total return swaps	354	354	4,126	4,126
Accounts receivable – other	1,315	1,315	1,323	1,323
Energy contracts receivable	1,025,951	1,025,951	745,378	745,378
Fair value of open energy contracts	224,925	224,925	74,907	74,907
Daily settlements and cash deposits	153,307	153,307	-	-
Financial liabilities:				
Other liabilities				
Accounts payable and accrued liabilities	56,717	56,717	48,175	48,175
Energy contracts payable	1,025,951	1,025,951	745,378	745,378
Fair value of open energy contracts	224,925	224,925	74,907	74,907
Daily settlements and cash deposits	153,307	153,307	-	-
Term loan payable	428,127	428,127	-	-

TMX has determined that the fair value of the other financial assets and liabilities that are not held for trading approximate the respective carrying amounts as of the balance sheet date of June 30, 2008.

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(b) Marketable securities:

The investment portfolio includes pooled fund investments managed by an external investment fund manager. Market values for securities held by the pooled funds are determined by reference to quoted market prices. There is no contracted maturity date for the investments.

Marketable securities also includes the investment portfolio of MX, which is managed by an external advisor, which includes federal, provincial and corporate bonds as well as asset backed debt securities.

The Company has designated its marketable securities as held-for-trading. At June 30, 2008, these investments have been measured at fair value and the unrealized gains of \$40 recognized during the three months ended June 30, 2008 and the unrealized gains of \$842 recognized during the six months ended June 30, 2008 have been reflected in net income in the consolidated financial statements (three months ended June 30, 2007 – unrealized losses of \$3,276; six months ended June 30, 2007 – unrealized losses of \$3,786).

(c) Total return swaps:

The Company has entered into total return swaps (“TRS’s”) which synthetically replicate the economics of the Company purchasing the Company’s shares as a partial fair value hedge to the share appreciation rights of restricted share units and deferred share units that are awarded to directors and employees of the Company and its designated subsidiaries. The Company marks to market the fair value of the TRS’s as an adjustment to income, and simultaneously marks to market the liability to holders of the share units as an adjustment to income. The fair value of the TRS’s is based upon the excess or deficit of the volume weighted average price of the Company’s shares for the last five days of the month compared with the Company’s share price at the date of entering into the TRS’s. The fair value of the TRS’s and the obligation to unit holders are reflected on the balance sheet. The contracts are settled in cash upon maturity.

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The following tables represent the TRS's which are outstanding at:

June 30, 2008:

	Remaining term to maturity (notional amount)			Fair value		
	Under 1 year	1 to 3 years	Total	Gain	Loss	Net
Equity Swap Contract #10	\$ 664	\$ -	\$ 664	\$ -	\$ (47)	\$ (47)
Equity Swap Contract #13	-	854	854	-	(140)	(140)
Equity Swap Contract #17	-	407	407	54	-	54
Equity Swap Contract #18	4,321	-	4,321	418	-	418
Equity Swap Contract #19	5,516	-	5,516	41	-	41
Equity Swap Contract #20	3,695	-	3,695	28	-	28
	\$ 14,196	\$ 1,261	\$ 15,457	\$ 541	\$ (187)	\$ 354

June 30, 2007:

	Remaining term to maturity (notional amount)			Fair value		
	Under 1 year	1 to 3 years	Total	Gain	Loss	Net
Equity Swap Contract #5	\$ 694	\$ -	\$ 694	\$ 348	\$ -	\$ 348
Equity Swap Contract #10	-	664	664	-	(75)	(75)
Equity Swap Contract #13	-	854	854	-	(173)	(173)
Equity Swap Contract #14	5,310	-	5,310	-	(786)	(786)
Equity Swap Contract #15	2,453	-	2,453	-	(73)	(73)
Equity Swap Contract #16	10,548	-	10,548	-	-	-
	(316)	(316)				
	\$ 19,005	\$ 1,518	\$ 20,523	\$ 348	\$ (1,423)	\$ (1,075)

The unrealized gains of \$2,016 recognized for the three month period ended June 30, 2008 and the unrealized losses of \$3,624 recognized for the six month period ended June 30, 2008 have been reflected in net income in the consolidated financial statements (three month period ended June 30, 2007 - unrealized losses \$3,533; six months ended June 30, 2007 - unrealized losses \$2,193).

(d) Interest rate swaps

The Company has entered into a series of interest rate swap agreements, which will commence on August 28, 2008, to manage its exposure to interest rate fluctuations on the non-revolving three year term facility (notes 4 and 5). The Company will mark to market the fair value of the interest rate swaps as an adjustment to income,.

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(e) NGX energy contracts:

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 statement of income.

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 open energy contracts. There is no impact on the consolidated statement of income.

(f) CDCC daily settlements and cash deposits:

Amounts due from and to clearing members 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. The amounts due from and due to clearing members are recognized in the consolidated assets and liabilities as daily settlements and cash deposits. There is no impact on the consolidated statement of income.

12. Risk Management:

(a) Credit risk:

Credit risk is the risk of financial loss to the Company associated with a counterparty's failure to fulfill its financial obligations and arises principally from the Company's investments in marketable securities, total return swaps and interest rate swaps, accounts receivable and the clearing and/or brokerage operations of Shorcan, NGX and CDCC.

(i) Investments in marketable securities

The Company, excluding MX, manages its exposure to credit risk arising from investments in marketable securities by limiting the investment in short-term bond and mortgage funds to a maximum of 70% of the investment portfolio. Corporate bonds must have a minimum credit rating of BBB by DBRS Limited. Mortgages may not comprise more than 40% of the portfolio and must be either multi-residential conventional first mortgages or multi-residential government guaranteed mortgages. The Company does not have any investments in non-bank asset-backed commercial paper. At June 30, 2008 the investment portfolio was

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comprised of 37% in short-term bond and mortgage funds and 63% in money market funds (June 30, 2007 – 60%:40 %).

MX manages its exposure to credit risk arising from investments in marketable securities by limiting total short term investment in bonds to a maximum of 30% in Schedule “A” Canadian chartered banks (“Bank bonds”) with the balance in Federal and Provincial bonds, while limiting total medium term investment in corporate bonds to a maximum of 35% with the balance in Federal and Provincial bonds. Corporate bonds must have a minimum credit rating of AAA by DBRS Limited. At June 30, 2008 the MX investment portfolio was comprised of 25% in Bank bonds, 65% in Federal and Provincial bonds and, 10% in Corporate Bonds. At June 30, 2008, MX does not have any investments in non-bank asset-backed commercial paper.

(ii) Total Return Swaps

The Company limits its exposure to credit risk on TRS’s by contracting with a major Canadian chartered bank.

(iii) Interest rate swaps

The Company limits its exposure to credit risk on the interest rate swaps by contracting with a major Canadian chartered bank.

(iv) Accounts receivables

The Company’s exposure to credit risk resulting from uncollectable accounts is influenced by the individual characteristics of its customers, many of whom are banks and financial institutions. There is no concentration of credit risk attributable to transactions with a single customer. In addition, customers that fail to maintain their account in good standing risk loss of listing or trading privileges.

(v) Clearing and/or brokerage operations

The Company is exposed to credit risk in the event that customers, in the case of Shorcan, or Contracting Parties, in the case of NGX, or clearing members in the case of CDCC fail to settle on the contracted settlement date.

Shorcan’s exposure is limited by the nature of the customers being primarily broker dealers, banks and other financial institutions. Shorcan also has the right to withdraw its normal policy of anonymity and advise the two counterparties to settle directly.

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NGX requires each contracting party to provide sufficient collateral, in the form of cash or letters of credit, to exceed its outstanding credit exposure as determined by NGX in accordance with its margining methodology. The cash collateral deposits and letters of credit are held by a major Canadian chartered bank. This collateral may be accessed by NGX in the event of default by a Contracting Party. NGX measures total potential exposure for both credit and market risk for each Contracting Party on a real-time basis as the aggregate of:

- (a) Outstanding energy contracts receivable;
- (b) "Variation Margin", comprised of the aggregate "mark-to-market" exposure for all forward purchase and sale contracts with an adverse value from the perspective of the customer; and
- (c) "Initial Margin", an amount that estimates the worst expected loss that a contract might incur under normal market conditions during a liquidation period.

As a result of these calculations of contracting party exposure at June 30, 2008, NGX held cash collateral deposits of \$490,171 (June 30, 2007 - \$317,666) and letters of credit of \$2,534,795 (June 30, 2007 - \$2,107,963).

CDCC is exposed to the risk of default of its clearing members. CDCC is the central counterparty and guarantor of all transactions carried out on MX's markets and on the OTC market. It primarily supports the risk of one or more counterparties, meeting strict financial and regulatory criteria, defaulting on their obligations, in which case the obligations of that counterparty would become the responsibility of CDCC. This risk is greater if market conditions are unfavourable at the time of the default.

CDCC's principal risk management practice is the collection of risk-based margin deposits in the form of cash, letters of credit, equities and liquid government securities. Should a clearing member fail to meet a daily margin call or otherwise not honour their obligations under open futures and options contracts, margin deposits would be available to apply against the costs incurred to liquidate the clearing member's positions.

CDCC's margining system is complemented by a stress reporting system. This process evaluates the financial strength of a clearing member to meet margin requirements that might result from a sudden adverse change in the market. Clearing members who fail to meet the criteria are required to deposit a stress margin.

CDCC also maintains a clearing fund through deposits of cash and securities from all clearing members. The aggregate level of clearing funds required from each clearing member is 12% of the largest aggregate daily margin requirement of that clearing member over the preceding

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calendar month. If, by a clearing member's default, further funding is necessary to complete a liquidation, CDCC has the right to require other clearing members to contribute additional amounts equal to their previous contribution to the clearing fund.

CDCC's margin collateral deposits and clearing fund deposits are held by a major Canadian chartered bank. This collateral may be accessed by CDCC in the event of default by a clearing member. As a result of these calculations of clearing member exposure at June 30, 2008, CDCC held margin collateral deposits of \$3,942,882 and clearing fund deposits of \$206,415.

(vi) Guarantees

NGX maintains an unsecured clearing backstop fund of U.S. \$100,000. The Company is the guarantor, on an unsecured basis, of this fund.

MX maintains \$30,000 in revolving standby credit facilities in the event of default by a clearing member of CDCC. Borrowings under these facilities would be required to be collateralized.

Neither facility has been drawn upon at June 30, 2008.

(b) Market risk:

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates, commodity prices and equity prices will affect the Company's income or the value of its holdings of financial instruments.

(i) Foreign currency risk

The Company is exposed to foreign currency risk on sales, cash and cash equivalents, marketable securities and accounts receivable principally denominated in U.S. dollars. At June 30, 2008, cash and cash equivalents and accounts receivable include \$44,119 (June 30, 2007 - \$9,502), which are exposed to changes in the U.S. – Canadian dollar exchange rate.

(ii) Interest rate risk

The Company is exposed to interest rate risk on its marketable securities, TRSs and non-revolving term loan payable.

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The Company will limit its exposure to interest rate risk on the non-revolving term loan by entering into three interest rate swap agreements (note 5).

External investment fund managers have been engaged by the Company to manage the asset mix and the risks associated with its marketable securities. At June 30, 2008 the Company held \$226,930 in these funds (June 30, 2007 - \$334,246).

(iii) Equity price risk

The Company is exposed to equity price risk arising from its utilization of TRS's. The fair value of the TRS's is based upon the excess or deficit of the volume weighted average price of the Company's shares for the last five days of the month compared with the Company's share price at the date of entering into the TRS's. The change in the fair value of the TRS's is offset by the change in the obligation to restricted share units and deferred share units holders.

(iv) Other market price risk

The Company is exposed to other market price risk from the activities of Shorcan, NGX and CDCC if a customer, contracting party or clearing member, as the case may be, fails to take or deliver either securities, derivative products or energy products on the contracted settlement date where the contracted price is less favourable than the current market price.

Shorcan's risk is limited by its status as an agent, the fact that it does not purchase or sell securities for its own account, the short period of time between trade date and settlement date, the quality of its customers and the defaulting customers liability for any difference between the amounts received upon sale of the securities and the amount paid to acquire the securities.

Both NGX's and CDCC's measure of total potential exposure, as described previously, includes measures of market risk which are factored into the collateral required from each contracting party or clearing member.

(c) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its revolving and non-revolving credit facilities (note 4), unsecured backstop funds (note 4) and capital (note 13).

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13. Capital maintenance:

In accordance with Section 1535 "Capital Disclosures", the Company's primary objectives in managing capital include:

(i) Maintaining sufficient capital for operations, to ensure market confidence and to meet capital maintenance requirements imposed on its subsidiaries:

(a) In respect of TSX, as required by the Ontario Securities Commission ("OSC") to maintain certain regulatory ratios as defined in the OSC recognition order, as follows:

(i) a current ratio not less than 1.1:1;

(ii) a debt to cash flow ratio not greater than 4:1; and

(iii) a financial leverage ratio consisting of adjusted total assets to adjusted shareholders' equity not greater than 4:1

The Company has complied with these externally imposed capital requirements;

(b) In respect of TSX Venture, as required by various provincial securities commissions to maintain adequate financial resources;

The Company has complied with these externally imposed capital requirements;

(c) In respect of NGX to:

(i) maintain adequate financial resources as required by the Alberta Securities Commission; and

(ii) maintain a current ratio of no less than 1:1 and a tangible net worth of not less than \$9,000 as required by a major Canadian chartered bank

The Company has complied with these externally imposed capital requirements;

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(d) In respect of MX, as required by the Autorité des marchés financiers ("AMF") to maintain certain regulatory ratios as defined in the AMF recognition order, as follows:

- (i) a working capital ratio not less than 1.5:1;
- (ii) a cash flow to total debt ratio of more than 20%;
- (iii) a financial leverage ratio consisting of total assets to shareholder's equity of less than 4:1; and

The Company has complied with these externally imposed capital requirements;

(e) In respect of Shorcan by the Investment Industry Regulatory Organization ("IIROC") which requires Shorcan to maintain a minimum level of shareholder's equity of \$500;

The Company has complied with these externally imposed capital requirements;

- (ii) Providing sufficient capital to meet the covenants imposed in connection with credit facilities (note 4) that require the Company to maintain:

- (a) a maximum debt to adjusted EBITDA ratio of 3.5:1;
- (b) a minimum consolidated net worth based on a contracted formula; and
- (c) a debt incurrence test of not more than 3:1.

The Company has complied with these externally imposed capital requirements;

- (iii) Retaining sufficient capital to invest and continue to grow our business; and
- (iv) Returning capital to shareholders through dividends paid to shareholders and purchasing shares for cancellation pursuant to normal course issuer bids.

14. Regulatory services:

On June 1, 2008, Market Regulation Services Inc. ("RS"), a private corporation jointly owned by the Company and the Investment Dealers Association of Canada ("IDA") and operated on a not-for-profit basis providing regulatory services to Canadian equity marketplaces, combined

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with the IDA to form the Investment Industry Regulatory Organization of Canada ("IIROC"). As a result of the combination, the Company relinquished any ownership interest but remains entitled to nominate one of the fifteen member board of directors subject to certain pre-determined conditions. Prior to June 1, 2008, RS was a related party to the Company. For the three months ended June 30, 2008, \$1,182 (2007 – \$1,895) of Business services and other revenue was earned for technology service provided to RS and \$1,246 (2007 – \$858) was paid to RS for services provided by RS. For the six months ended June 30, 2008, \$4,457 (2007 – \$5,357) of Business services and other revenue was earned for technology service provided to RS and \$2,500 (2007 – \$2,774) was paid to RS for services provided by RS.

15. Related party transactions:

In 2001, the MX signed an agreement with BOX to provide for a fee the technology and related services required for its electronic trading system.

Beginning in February 2004, the MX became an official supplier to BOX and charges at the exchange amount, being the amount established and agreed to by BOX, salaries, telecommunication services, computer equipment, and other services. The amounts invoiced for the three and six months ended June 30, 2008 are \$2,873 and \$2,873. These transactions were undertaken in the normal course of business. An amount of \$82 receivable from BOX is included in accounts receivable as at June 30, 2008 (December 31, 2007 - \$Nil).

16. Comparative figures:

Certain comparative figures have been reclassified to conform to the financial presentation adopted in the current period.