

Audited Annual Consolidated Financial Statements of

TMX GROUP INC.

(formerly TSX Group Inc.)

Years ended December 31, 2008 and 2007

(in thousands of dollars)



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AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of TMX Group Inc. (formerly TSX Group Inc.) as at December 31, 2008 and 2007 and the consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants, Licensed Public Accountants

Toronto, Canada

January 27, 2009

TMX GROUP INC.

(formerly TSX Group Inc.)
 Consolidated Balance Sheets
 (In thousands of dollars)
 December 31, 2008 and 2007

	2008	2007
Assets		
Current assets:		
Cash and cash equivalents (note 4)	\$ 102,442	\$ 53,398
Marketable securities (note 21)	96,251	249,399
Restricted cash (note 1)	1,454	–
Accounts receivable	63,722	48,438
Energy contracts receivable (note 21)	976,431	745,378
Fair value of open energy contracts (note 21)	155,331	74,907
Daily settlements and cash deposits (note 21)	497,312	–
Prepaid expenses	9,050	6,561
Future income tax assets (note 20)	34,030	22,840
	1,936,023	1,200,921
Premises and equipment (note 5)	27,505	21,324
Future income tax assets (note 20)	132,499	131,613
Other assets (note 6)	21,105	25,869
Investment in affiliate (note 7)	12,424	11,731
Intangible assets (note 8)	891,976	66,578
Goodwill (note 8)	650,554	65,883
Total Assets	\$ 3,672,086	\$ 1,523,919
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 59,457	\$ 48,175
Energy contracts payable (note 21)	976,431	745,378
Fair value of open energy contracts (note 21)	155,331	74,907
Daily settlements and cash deposits (note 21)	497,312	–
Deferred revenue	12,353	6,032
Deferred revenue – initial and additional listing fees	69,540	61,820
Obligation under capital lease	42	152
Fair value of interest rate swaps (note 14)	1,787	–
Income taxes payable	13,522	9,724
	1,785,775	946,188
Accrued employee benefits payable	12,916	12,113
Future income tax liabilities (note 20)	221,101	–
Obligation under capital lease	29	71
Other liabilities	17,265	30,331
Deferred revenue	718	452
Deferred revenue – initial and additional listing fees	383,315	362,854
Fair value of interest rate swaps (note 14)	10,690	–
Term loan (note 13)	428,278	–
Total Liabilities	2,860,087	1,352,009
Non-controlling Interests (note 2)	17,370	–
Shareholders' Equity:		
Share capital (note 15)	1,084,399	379,370
Share option plan (note 17)	5,969	5,060
Deficit	(319,843)	(212,520)
Accumulated other comprehensive income (note 1)	24,104	–
Total Shareholders' Equity	794,629	171,910
Commitments and contingent liabilities (notes 10 and 26)		
Total Liabilities and Shareholders' Equity	\$ 3,672,086	\$ 1,523,919

See accompanying notes to consolidated financial statements.

On behalf of the Board:

“Wayne Fox” _____ Chair “J. Spencer Lanthier” _____ Director

TMX GROUP INC.

(formerly TSX Group Inc)

Consolidated Statements of Income

(In thousands of dollars, except per share amounts)

Years ended December 31, 2008 and 2007

	2008	2007
Revenue:		
Issuer services	\$ 152,793	\$ 133,939
Trading, clearing and related	222,850	169,237
Market data	135,533	110,241
Business services and other	22,013	11,170
Total revenue	533,189	424,587
Expenses:		
Compensation and benefits	110,486	96,251
Information and trading systems	36,354	26,505
General and administration	55,638	42,951
Amortization	25,340	15,838
Total operating expenses	227,818	181,545
Income from operations	305,371	243,042
Income from investments in affiliates	1,426	374
Investment income	14,824	14,036
Interest expense (note 13)	(10,508)	(55)
Mark to market on interest rate swaps (note 14)	(13,289)	—
Other acquisition related expenses (note 2)	(15,902)	—
Income before income taxes	281,922	257,397
Income taxes (note 20)	98,149	108,700
Net income before non-controlling interests	183,773	148,697
Non-controlling interests (note 2)	1,821	—
Net income	\$ 181,952	\$ 148,697
Earnings per share: (note 19)		
Basic	\$ 2.48	\$ 2.19
Diluted	\$ 2.47	\$ 2.17

See accompanying notes to consolidated financial statements.

TMX GROUP INC.

(formerly TSX Group Inc.)

Consolidated Statements of Comprehensive Income
(In thousands of dollars)

Years ended December 31, 2008 and 2007

	2008	2007
Net income	\$ 181,952	\$ 148,697
Other comprehensive income		
Unrealized gain on translating financial statements of a self-sustaining foreign operation (note 1)	24,104	–
Comprehensive income	\$ 206,056	\$ 148,697

See accompanying notes to consolidated financial statements.

TMX GROUP INC.

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Consolidated Statements of Changes in Shareholders' Equity

(In thousands of dollars)

Years ended December 31, 2008 and 2007

	2008	2007
Common shares:		
Balance, beginning of period	\$ 379,370	\$ 387,501
Issuance of common shares (note 2)	806,573	-
Proceeds from options exercised	6,959	4,416
Cost of exercised options	1,731	1,165
Purchased under normal course issuer bid (note 15)	(110,234)	(13,712)
Balance, end of period	1,084,399	379,370
Share option plan:		
Balance, beginning of period	5,060	3,942
Options issued (note 2)	735	-
Cost of exercised options	(1,731)	(1,165)
Cost of share option plan	1,905	2,283
Balance, end of period	5,969	5,060
Deficit:		
Balance, beginning of period	(212,520)	(164,488)
Transitional adjustment (note 1)	-	621
Net income	181,952	148,697
Dividends on common shares	(114,099)	(103,465)
Shares purchased under normal course issuer bid (note 15)	(175,176)	(93,885)
Balance, end of period	(319,843)	(212,520)
Accumulated other comprehensive income:		
Balance, beginning of period	-	-
Unrealized gain on translating financial statements of a self-sustaining foreign operation (note 1)	24,104	-
Balance, end of period	24,104	-
Shareholders' equity, end of period	\$ 794,629	\$ 171,910

See accompanying notes to consolidated financial statements.

TMX GROUP INC.

(formerly TSX Group Inc.)

Consolidated Statements of Cash Flows

(In thousands of dollars)

Years ended December 31, 2008 and 2007

	2008	2007
Cash flows from (used in) operating activities:		
Net income	\$ 181,952	\$ 148,697
Adjustments to determine net cash flows:		
Amortization	25,340	15,838
Unrealized (gain) loss on marketable securities	(1,206)	3,142
(Income) from investments in affiliates	(1,426)	(374)
Cost of share option plan	1,905	2,283
Cost of options issued on acquisition	568	-
Payment on termination of joint venture (note 2)	15,152	-
Amortized financing fees	492	-
Non-controlling interest	1,821	-
Unrealized loss on interest rate swaps (note 14)	12,477	-
Unrealized foreign exchange loss	401	-
Future income tax asset	(9,307)	(3,060)
Accounts receivable and prepaid expenses	(1,175)	(15,173)
Other assets	4,954	(3,122)
Accounts payable and accrued liabilities	(15,063)	7,878
Long-term accrued and other liabilities	(12,263)	(907)
Deferred revenue	34,566	78,027
Income taxes payable, net	5,001	(11,549)
	244,189	221,680
Cash flows from (used in) financing activities:		
Restricted cash	(47)	-
Reduction in obligation under capital lease	(177)	(786)
Proceeds from exercised options	6,959	4,416
Dividends on common shares	(114,099)	(103,465)
Shares purchased under normal course issuer bid (note 15)	(285,410)	(107,597)
Dividend paid to non-controlling interests (note 2)	(1,946)	-
Proceeds from term loan, net	427,786	-
	33,066	(207,432)
Cash flows from (used in) investing activities:		
Additions to premises and equipment	(5,306)	(6,504)
Additions to intangible assets	(8,451)	(6,225)
Payment on termination of joint venture (note 2)	(15,152)	-
Marketable securities	203,546	33,268
Acquisitions, net of cash acquired (note 2)	(405,283)	(8,142)
Purchase of option to acquire NetThruPut Inc.	-	(10,265)
	(230,646)	2,132
Unrealized foreign exchange gain on cash and cash equivalents held in foreign subsidiary	2,435	-
	49,044	16,380
Increase (decrease) in cash and cash equivalents	49,044	16,380
Cash and cash equivalents, beginning of period	53,398	37,018
Cash and cash equivalents, end of period	\$ 102,442	\$ 53,398
Supplemental cash flow information:		
Interest paid	\$ 11,038	\$ 979
Interest received	\$ 12,648	\$ 16,090
Income taxes paid	\$ 107,114	\$ 124,601

See accompanying notes to consolidated financial statements.

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Notes to Consolidated Financial Statements

(In thousands of dollars, except per share amounts)

Years ended December 31, 2008 and 2007

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.) (the "Company") owns and operates two national stock exchanges, Toronto Stock Exchange, serving the senior equity market and TSX Venture Exchange, serving the public venture equity market, Montreal 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 and electricity contracts in North America, Shorcan Brokers Limited ("Shorcan"), a fixed income inter-dealer broker, and The Equicom Group Inc. ("Equicom"), providing investor relations and related corporate communications services.

1. Significant Accounting Policies:

(a) Basis of presentation:

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), and they include the accounts of the Company's wholly-owned subsidiaries, TSX Inc. ("TSX"), MX from May 1, 2008 (note 2), NGX, Shorcan, Equicom from June 1, 2007, CDEX Inc. ("CDEX") from August 14, 2007, and the wholly-owned or controlled subsidiaries of TSX, MX and NGX.

Intercompany balances and transactions have been eliminated upon consolidation.

(b) Capital maintenance and financial instruments:

Effective January 1, 2008, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants ("CICA") 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".

The adoption of these new recommendations had no significant impact on the Company's financial accounting policies. However additional financial disclosures related to the nature and risks arising from financial instruments have been included in notes 21, 22 and 23.

In 2007, on adoption of CICA Section 3855, "Financial Instruments – Recognition and Measurement", the Company recognised a transitional adjustment which decreased the opening deficit by \$621 due to the increase in the fair value of marketable securities less the tax impact in respect thereof.

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(c) Amortization:

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

Asset	Basis	Rate
Premises under capital lease	Straight line	25 Years
Computers and electronic trading equipment	Straight line	3 - 5 Years
Furniture, fixtures and other equipment	Straight line	5 Years
Leasehold improvements	Straight line	Over terms of various leases to a maximum of 15 Years
Intangible assets comprising:		
Customer bases	Declining balance	2.0 - 8.0%
Data licence	Straight line	10 Years
Trading participants	Straight line	26 Years
Open interest	Straight line	6 Months
Capitalized software	Straight line	5 Years

(d) Revenue recognition:

Revenue for goods and services is recognized when the services are provided or the goods are sold.

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

Fees relating to NGX trading, clearing and settlement 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 consolidated financial statements as NGX does not function as principal in these trading activities.

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.

Issuer service revenues are derived primarily from recurring annual sustaining fees and transaction-based fees for initial and additional listings. 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. Initial and additional listing fees are recorded as deferred revenue – initial and additional listing fees and are recognized on a straight-line basis over an estimated service period of ten years.

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Real time market data revenue is recognized based on usage as reported by customers and vendors. The Company conducts periodic audits of the information provided and records additional revenues, if any, at that time. 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 market data revenue is recorded and recognized as revenue in the month in which the services are provided.

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

Business services and other revenue is recorded and recognized as revenue in the month in which the services are provided.

(e) Income taxes:

Future income taxes are provided in recognition of temporary differences between: (i) the carrying amount of assets and liabilities and their respective tax bases, (ii) operating losses, and (iii) tax credit carry forwards made for financial reporting and income tax purposes. Future income tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the periods in which those temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is recognized in income in the period in which the enactments or substantive enactments occur.

(f) Employee future benefits:

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 arrangement ("RCA") for senior management, and MX has a defined benefit registered pension plan for certain 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. In addition, the Company provides other employee future benefits, such as supplementary medical and dental coverage, to defined eligible employees ("other benefit plans"). The cost of the other benefit plans is not being funded, however, a provision for this has been made in the accounts.

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The Company accrues its obligations under employee defined benefit plans as the employees render the services necessary to earn pension and other employee future benefits.

The Company has adopted the following policies for its benefit plans:

- (i) The cost of defined benefit pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of salary escalation, retirement ages and expected health care cost.
- (ii) For the purpose of calculating expected return on plan assets, those assets are valued at fair value.
- (iii) Past service costs from plan amendments or initiation are amortized on a straight-line basis over the expected average remaining service period of employees active at the time of the amendment.
- (iv) Actuarial gains (losses) on plan assets arise from the difference between the actual return on plan assets for a period and the expected return on plan assets for that period. Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The excess of the net accumulated actuarial gain (loss) over 10% of the greater of the accrued benefit obligations and the fair value of plan assets is amortized over the expected average remaining service period of active employees.
- (v) When a restructuring of a benefit plan gives rise to both a curtailment and a settlement of obligations, the curtailment is accounted for prior to the settlement.

(g) Intangible assets:

Intangible assets are reviewed for impairment at least annually. When the carrying amount of the intangible asset exceeds the fair value of the intangible asset, an impairment loss is recognized as an amount equal to the excess and is identified separately on the statement of income.

(h) Goodwill:

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired, less liabilities

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assumed, based on their fair values. Goodwill is allocated as of the effective date of the transaction.

Goodwill is not amortized and is tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit is compared with its fair value. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired and the second step of the impairment test is unnecessary.

The second step is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case the implied fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any. The implied fair value of goodwill is determined in the same manner as the value of goodwill is initially determined as described in the preceding paragraph, using the fair value of the reporting unit as if it were the purchase price. When the carrying amount of the reporting unit goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess and is recorded in the statement of income.

(i) Use of estimates:

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, net income and related disclosures; including deferred revenue, the carrying value of goodwill and intangible assets, pensions and other post-employment benefits, long term incentive plan liabilities, income taxes and the fair value of financial instruments including open energy contracts. Management also makes estimates that affect the reported amounts and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

As required by CICA Handbook Section 3062, "Goodwill and other Intangible Assets", and Section 3063, "Impairment of long-lived assets", the Company performed impairment tests on its reporting units to determine whether its reporting units or their assets could be impaired. The tests required the Company to make assumptions regarding projected cash flows, including long-term growth rates, for the various reporting units. The tests also required the Company to apply a discount rate based on its risk adjusted cost of capital. These assumptions are subjective judgments based on the Company's experience, knowledge of operations and knowledge of the economic environment in which the Company operates. It is possible that, if future cash flow projections or discount rates are significantly different to those used, the outcome of future impairment tests could result in

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some or all of the reporting units and their associated goodwill and intangible assets being impaired.

(j) Earnings per share:

Basic earnings per share are computed by dividing net income by the weighted average number of shares outstanding during the reporting period.

Diluted earnings per share are computed similar to basic earnings per share except that the weighted average shares outstanding are increased to include additional shares from the assumed exercise of share options, if dilutive. The number of additional shares is calculated using the treasury stock method which assumes that outstanding share options were exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting period.

(k) Related party transactions:

Any transactions entered into between the Company and related parties are on terms and conditions that are at least as favourable to the Company as market terms and conditions and are recorded at the agreed upon exchange amount.

(l) Share-based compensation:

The Company has share-based compensation plans, which are described in notes 17 and 18. The Company accounts for all share-based payments to eligible employees that call for settlement by the issuance of equity instruments, granted on or after January 1, 2003, 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 and amortized over the vesting period. Compensation cost attributable to awards to such employees that call for settlement in cash is measured at intrinsic value and amortized over the vesting period. Changes in intrinsic value between the grant date and the measurement date result in a change in the measure of compensation cost.

For options that vest at the end of the vesting period, compensation cost is recognized on a straight-line basis over the vesting period. No compensation cost is recognized for options that employees forfeit if they fail to satisfy the service requirement for vesting.

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(m) Other comprehensive income or loss:

Other comprehensive income or loss includes the unrealized gain or loss on the foreign currency translation of BOX, a self-sustaining foreign operation.

(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 net income in the period in which they occur. Estimated fair values of the investments are determined based on quoted market values.

(o) Restricted cash:

MX operates a separate regulatory division, responsible for the approval of participants and market regulation, and 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 accounts payable and accrued liabilities.

(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. 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.

(q) Foreign currency translation:

MX holds a majority ownership interest in BOX, a limited liability company located in the United States, which is considered to be a self-sustaining foreign operation. Accordingly, the assets and liabilities of this subsidiary 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 within shareholders' equity.

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(r) 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. Implementation of this new standard is not expected to have a material impact on the Company's 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 commenced its IFRS conversion project in 2008. The Company's IFRS project consists of three phases – scoping, evaluation and design, and implementation and review. The Company has commenced the scoping phase of the project, which consists of project initiation and awareness, identification of high-level differences between Canadian GAAP and IFRS and project planning and resourcing. The Company has completed a high level scoping exercise, identified priorities, and a high-level conversion plan has been prepared. A project team has been identified and an external advisor has been engaged to assist with the conversion.

A detailed assessment of the impact of adopting IFRS on our consolidated financial statements, accounting policies, information technology and data systems, internal controls over financial reporting, disclosure controls and procedures, and the various covenants and capital requirements and business activities has not been completed. The impact on such elements will depend on the particular circumstances prevailing at the adoption date and the IFRS accounting policy choices made by the Company. The Company has not completed its quantification of the effects of adopting IFRS.

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The financial performance and financial position as disclosed in our Canadian GAAP financial statements may be significantly different when presented in accordance with IFRS.

2. Business acquisitions:

a) On May 1, 2008, the Company acquired 100% of the outstanding common shares of MX. The principal business activity of MX is to provide markets for the buying and selling of derivatives products. Its subsidiary, CDCC, is the issuer, clearing house and guarantor for options and futures contracts traded at MX as well as certain other over-the-counter ("OTC") products. In addition to CDCC, as at May 1, 2008, MX also held 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") (note 2c), a joint venture created with NYMEX Holdings Inc. (now CMEG NYMEX Holdings Inc. or "CME") and a 31.4% interest in BOX (note 2b), 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	8,208
Estimated restructuring costs	11,429
Fair value of MX share options exchanged	1,417
Aggregate estimated purchase price	\$ 1,255,827

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 estimated restructuring costs primarily relate to employee termination costs, and the costs associated with the consolidation of the Company's technology data centres and offices.

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 MX was announced. The estimated purchase price has been allocated to the fair values of the assets acquired and liabilities assumed as follows:

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	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	7,186
Investment in affiliate (includes \$12,972 of intangible assets)	75,895
Other assets	190
Future income tax asset	3,802
Intangible assets	796,977
Goodwill	460,080
Net tangible and intangible assets acquired	1,680,510
Less liabilities assumed:	
Current liabilities	19,118
Daily settlements and cash deposits	193,117
Future income tax liability	212,448
Total net assets acquired	\$ 1,255,827

The Company recognized \$1,270,029 of goodwill and intangible assets as part of the acquisition. The details of these assets are as follows:

Description	Amortization Period	Amount
Goodwill	n/a	\$ 460,080
Indefinite life intangible assets:		
Derivatives products	Not amortized	630,926
Trade names	Not amortized	28,214
Regulatory designation	Not amortized	2,000
Definite life intangible assets:		
MX trading participants	30 years	126,466
BOX trading participants (included in investment in affiliate)	30 years	12,972
Capitalized software	5 years	7,942
Open interest	6 months	1,429
Total goodwill and intangible assets		\$ 1,270,029

In 2008, the Company recognized intangible amortization expense of \$5,382 (2007 - \$Nil) related to the acquisition of MX.

The goodwill acquired is not deductible for tax purposes.

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Other acquisition related expenses represent non-recurring costs associated with the acquisition of MX. During 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 MX, the Company provided ISE Ventures, LLC ("Ventures") with a notice of a competing transaction as required under the terms of the CDEX shareholders' agreement, which was created to operate DEX, a new derivatives exchange. As the parties were unable to agree to an alternative business arrangement, the Company acquired 100% ownership of CDEX and paid Ventures \$15,152 on April 1, 2008.

b) On August 29, 2008, MX acquired an additional 21.9% interest in BOX, giving it a majority ownership interest of 53.3% in, and control of, BOX.

Prior to this transaction, MX held 31.4% of the common shares and did not control BOX. The investment was previously accounted for under the equity method, according to which the initial cost of the investment was adjusted to include MX's proportionate share of post-acquisition net earnings or losses, less dividends and distributions. The results of operations were included as income from investments in affiliates in the consolidated statement of income.

As a consequence of the additional investment, BOX is now being accounted for under the purchase method. From August 29, 2008, the day on which control was acquired, the results have been fully consolidated within the consolidated statement of income, with an adjustment made for minority interests.

The aggregate estimated purchase price for the 21.9% of the common shares consisted of:

Cash (US\$52,533 at an exchange rate of 1.0626)	\$	55,821
Estimated direct transaction costs		2,170
Aggregate estimated purchase price	\$	57,991

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 become final.

The estimated purchase price has been allocated to the respective fair values of the assets acquired and liabilities assumed as follows:

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	Net assets acquired
Cash and cash equivalents	\$ 16,651
Other current assets	6,711
Capital assets	5,284
Intangible assets – development costs	7,205
Intangible assets – trading participants	37,750
100% of the tangible and intangible assets	73,601
Less liabilities:	
Current liabilities	2,221
Future income tax liability	15,021
100% of the net tangible and intangible assets	56,359
21.9% of the net tangible and intangible assets acquired	12,326
Goodwill	45,665
Total net assets acquired	\$ 57,991

This acquisition was part of a two step acquisition. The first step of the acquisition occurred on May 1, 2008, when the Company acquired 31.4% of BOX at a fair value of \$75,895. The second step of the acquisition occurred on August 29, 2008 when the Company acquired an additional 21.9% interest in BOX and acquired control of BOX.

As a result of the second step of the acquisition and the acquisition of control, the Company reclassified the goodwill and intangible assets previously recognized within the investment in affiliate on May 1, 2008, when the first step of the acquisition was completed. As a result, an additional \$61,010 of goodwill was reflected in the consolidated balance sheet of the Company.

The Company recognized \$135,514 of goodwill and intangible assets as part of the acquisition. The details of these assets are as follows:

Description	Amortization Period	Amount
Goodwill	n/a	\$ 106,675
Definite life intangible assets:		
BOX trading participants	30 years	21,634
Capitalized software	5 years	7,205
Total goodwill and intangible assets		\$ 135,514

During 2008, the Company recognized intangible amortization expense of \$1,479 (2007 - \$Nil) related to this acquisition.

In October 2008, as a result of a buy-back of units by BOX, the Company's ownership in BOX increased to 53.8%.

The goodwill acquired is not deductible for tax purposes.

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c) In March 2007, MX and CME announced the creation of CAREX, a new business venture dedicated to the Canadian energy market. Following the Company's combination with MX, MX entered into discussions with CME about terminating the business venture. These discussions ultimately resulted in MX acquiring 100% of CAREX on September 26, 2008 for \$925.

Prior to this transaction, MX owned 50% of CAREX, a joint venture that was accounted for using proportionate consolidation. As a consequence of the additional investment, CAREX is now being accounted for under the purchase method, and the results of operations have been fully consolidated within the consolidated statement of income from September 26, 2008.

As of May 1, 2008, the Company planned to wind-up the operations of CAREX and to dispose of the net assets of the entity. As a result, the net assets of CAREX were fair valued as part of the acquisition of MX. The fair value of the net assets as of May 1, 2008 was equivalent to the liquidation value of the assets.

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 markets for trading derivatives, clearing options and futures contracts and certain OTC products through MX and its subsidiaries, CDCC, MGeX, CAREX and BOX.

The accounting policies of the segments are the same as those described in significant accounting policies in note 1.

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	Cash	Energy	Derivatives	Total
2008				
Issuer services	\$ 152,793	\$ -	\$ -	\$ 152,793
Trading, clearing and related	145,788	29,748	47,314	222,850
Market data	126,043	70	9,420	135,533
Business services and other	14,974	383	6,656	22,013
Total revenue	439,598	30,201	63,390	533,189
Net income	155,671	8,173	18,108	181,952
Goodwill	113,847	21,279	515,428	650,554
Total assets	517,437	1,185,344	1,969,305	3,672,086
2007				
Issuer services	\$ 133,939	\$ -	\$ -	\$ 133,939
Trading, clearing and related	147,622	21,615	-	169,237
Market data	109,602	639	-	110,241
Business services and other	11,456	(286)	-	11,170
Total revenue	402,619	21,968	-	424,587
Net income	144,395	4,302	-	148,697
Goodwill	44,604	21,279	-	65,883
Total assets	647,291	876,628	-	1,523,919

* Includes results from dates of acquisitions in the year

4. Cash and cash equivalents and marketable securities:

Cash and cash equivalents and marketable securities are comprised of:

	2008	2007
Cash	\$ 64,533	\$ 53,398
Banker's acceptances	20,339	-
Treasury bills	17,570	-
Cash and cash equivalents	\$ 102,442	\$ 53,398
Money market funds	\$ 17,270	\$ 166,457
Bonds and bond funds	78,981	82,942
Marketable securities	\$ 96,251	\$ 249,399

5. Premises and equipment:

Premises and equipment are comprised of:

As at December 31, 2008	Cost	Accumulated amortization	Net book value
Premises under capital lease	\$ 12,317	\$ 12,317	\$ -
Computers and electronic trading equipment	78,465	62,721	15,744
Furniture, fixtures and other equipment	18,456	16,918	1,538
Leasehold improvements	45,980	35,757	10,223
	\$ 155,218	\$ 127,713	\$ 27,505

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As at December 31, 2007	Cost	Accumulated amortization	Net book value
Premises under capital lease	\$ 12,317	\$ 12,129	\$ 188
Computers and electronic trading equipment	65,262	54,117	11,145
Furniture, fixtures and other equipment	17,722	16,346	1,376
Leasehold improvements	40,599	31,984	8,615
	\$ 135,900	\$ 114,576	\$ 21,324

Amortization charged for the year was \$12,200 (2007 - \$11,102).

6. Other assets:

As at December 31	2008	2007
Option to acquire NetThruPut Inc.	\$ 10,265	\$ 10,265
Accrued benefit assets (note 9)	9,631	9,600
Other assets	1,209	6,004
	\$ 21,105	\$ 25,869

On September 6, 2007, the Company entered into an agreement with Enbridge Inc. ("Enbridge") and Circuit Technology Limited ("Circuit") granting it the option to acquire NetThruPut Inc. ("NTP") at a time after March 15, 2009. The Company paid \$9,500 plus acquisition costs of \$765 for the right to acquire all the shares of NTP from its shareholders at a price between \$40,000 and \$95,000 (note 26). A portion of the purchase price will be satisfied by the issuance of the Company's shares, for which Toronto Stock Exchange has granted conditional listing approval. This agreement also provides Enbridge and Circuit with the right to sell all the shares of NTP under the same terms to the Company. Exercise of the option by either the Company or NTP's shareholders is subject to certain closing conditions. The fair value of this option at December 31, 2008 is considered to approximate its carrying value.

7. Investment in affiliate:

The Company owns a 47% equity interest in CanDeal.ca Inc. ("CanDeal"), an electronic trading system for the institutional debt market. The investment is accounted for using the equity method. As part of the investment, the Company and CanDeal entered into an agreement under which the Company would provide technological services in support of CanDeal's electronic trading system. In 2008, the Company charged CanDeal \$187 (2007 - \$185) for technology services and remitted to CanDeal \$695 (2007 - \$643) as part of a revenue sharing arrangement and for the supply of technology development.

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8. Goodwill and intangible assets:

The Company performed its annual goodwill impairment analysis during the fourth quarter and determined that the fair values of its reporting units were not impaired. Therefore, the second step of the impairment test was not required.

At the time of the respective purchases, the Company recorded intangible assets related to the customer bases of TSX Venture Exchange Inc., NGX, Oxen, Shorcan, and Equicom and, in connection with the acquisition of PC Bond, the customer base and a long-term data licence under which Scotia Capital Inc. provides fixed income pricing data. As part of the Company's acquisition of MX and BOX, the Company recorded additional intangible assets as disclosed in note 2.

During 2008, the Company capitalized \$3,671 (2007 - \$ 5,725) of software development costs incurred to build TSX Quantum, and \$3,913 (2007 - \$nil) incurred on SOLA development..

	2008			2007		
	Gross carrying amount	Accumulated amortization	Net book value	Gross carrying amount	Accumulated amortization	Net book value
Indefinite life intangible assets						
Derivative products	\$ 630,926	\$ -	\$ 630,926	\$ -	\$ -	\$ -
Trade names	28,214	-	28,214	-	-	-
Regulatory designation	2,000	-	2,000	-	-	-
	661,140	-	661,140	-	-	-
Definite life intangible assets						
Trading participants	151,436	3,260	148,176	-	-	-
Capitalized software and software development	30,289	3,614	26,675	5,725	48	5,677
Customer base	69,890	19,076	50,814	69,890	15,126	54,764
Data and indices licenses	7,000	1,829	5,171	7,000	863	6,137
Open interests	1,429	1,429	-	-	-	-
	260,044	29,208	230,836	82,615	16,037	66,578
	\$ 921,184	\$ 29,208	\$ 891,976	\$ 82,615	\$ 16,037	\$ 66,578

During 2008, the Company recognized amortization expense of \$13,140 (2007 - \$4,735).

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9. Employee future benefits:

Information about the Company's benefit plans is as follows:

Total cash amounts recognized as paid or payable for employee future benefits in 2008, consisting of employer contributions to the defined benefit pension plans, employer contributions to the other benefit plans, and employer contributions to the defined contribution plans, was \$5,697 (2007 - \$5,366).

Defined benefit plans:

Commencing January 1, 2004, the Company, excluding MX, measures its accrued benefit obligations and the fair value of plan assets for accounting purposes as at September 30 of each year. The measurement date for MX plan assets and accrued benefit obligations is December 31 of each year. For the Company, excluding MX, the most recent actuarial valuation of the registered pension plan for funding purposes was as at December 31, 2005, and the next required valuation is as at December 31, 2008. For the RCA plan, the most recent actuarial valuation for funding purposes was as at December 31, 2007, and the next required valuation is as at December 31, 2008. For the MX plan, the most recent actuarial valuation for funding purposes was at January 1, 2007 and the next required valuation will be as at January 1, 2010.

As at December 31	Pension and RCA plans		Other benefit plans	
	2008	2007	2008	2007
Accrued benefit obligation:				
Balance, beginning of year	\$ 55,714	\$ 54,119	\$ 9,215	\$ 12,954
Benefit obligation acquired with MX	2,001	-	-	-
Current service cost	2,023	2,003	763	1,200
Interest cost	3,295	2,944	559	692
Benefits paid	(2,755)	(1,962)	(168)	(163)
Employee contributions	264	290	-	-
Actuarial gains	(9,249)	(1,854)	(1,540)	(535)
Plan amendments	-	-	-	(4,933)
Net transfers in	-	174	-	-
Balance, end of year	\$ 51,293	\$ 55,714	\$ 8,829	\$ 9,215

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As at December 31	Pension and RCA plans		Other benefit plans	
	2008	2007	2008	2007
Plan assets:				
Fair value, beginning of year	\$ 57,948	\$ 52,777	\$ -	\$ -
Plan assets acquired with MX	330	-	-	-
Actual return on plan assets	(5,106)	3,284	-	-
Employer contributions	3,377	3,424	168	163
Employee contributions	264	290	-	-
Benefits paid	(2,755)	(1,962)	(168)	(163)
Net transfers in	-	135	-	-
Fair value, end of year	\$ 54,058	\$ 57,948	\$ -	\$ -
Funded status-plan surplus (deficit)	\$ 2,765	\$ 2,234	\$ (8,829)	\$ (9,215)
Unamortized net actuarial loss	5,644	6,669	190	1,778
Employer contributions after measurement date	667	416	42	41
Unamortized transitional obligation	13	27	-	-
Unamortized past service costs	542	254	(4,319)	(4,717)
Accrued benefit asset (liability)	\$ 9,631	\$ 9,600	\$ (12,916)	\$ (12,113)

The accrued benefit assets and accrued benefit obligations are included in the Company's consolidated balance sheet as follows:

As at December 31	Pension and RCA plans		Other benefit plans	
	2008	2007	2008	2007
Other assets	\$ 9,631	\$ 9,600	\$ -	\$ -
Accrued employee benefits payable	-	-	(12,916)	(12,113)
Total	\$ 9,631	\$ 9,600	\$ (12,916)	\$ (12,113)

Plan assets consist of:

Asset category	Percentage of plan assets	
	2008	2007
Equity securities	47%	52%
Debt securities	39%	34%
Canada Revenue Agency refundable tax account	14%	14%
	100%	100%

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The elements of the Company's defined benefit plan costs recognized in the year are as follows:

As at December 31	Pension and RCA plans		Other benefit plans	
	2008	2007	2008	2007
Current service cost	\$ 2,023	\$ 2,003	\$ 763	\$ 1,200
Interest cost	3,295	2,944	559	692
Actual return on plan assets	5,106	(3,284)	—	—
Plan amendments	—	—	—	(4,933)
Actuarial losses (gains)	(9,249)	(1,854)	(1,540)	(535)
	1,175	(191)	(218)	(3,576)

Elements of employee future benefit costs before adjustments to recognize the long- term nature of employee future benefit costs:

Difference between expected return and actual return on plan assets for the year (a)	(8,292)	628	—	—
Difference between actuarial (gains) losses recognized for the year and actual actuarial (gains) losses on accrued benefit obligations for the year (b)	9,474	2,209	1,588	590
Difference between amortization of past service costs for the year and actual plan amendments for the year (c)	135	99	(398)	4,839
Difference between costs arising in the period and costs recognized in the year in respect of transitional obligation (asset)	14	15	—	—
Net benefit plan expense	\$ 2,506	\$ 2,760	\$ 972	\$ 1,853

(a) Expected return on plan assets of \$3,186 (2007 - \$ 2,656) less the actual return on plan assets of \$(5,106) (2007 - \$ 3,284).

(b) Actuarial (gain) loss recognized for the year of \$225 (2007 - \$355) less the actual actuarial (gain) loss on accrued benefit obligation of \$(9,249) (2007 - \$(1,854)).

(c) Amortization of past service costs for the year of \$135 (2007 - \$99) less the actual plan amendments for the year of \$nil (2007 - \$Nil).

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The significant actuarial assumptions adopted in measuring the obligation are as follows (weighted average):

As at December 31	Pension and RCA plans		Other benefit plans	
	2008	2007	2008	2007
Discount rate	6.80%	5.65%	6.80%	5.65%
Rate of compensation increase	3.75%	4.00%	3.75%	n/a
Expected long-term rate of return on plan assets	6.10%	5.60%	n/a	n/a

The assumed health care cost trend rate at December 31, 2008 was 7.1% (2007 – 8.5 %), decreasing to 4.8% (2007 – 4.9%) over 8 years (8 years in 2007).

Increasing or decreasing the assumed health care cost trend rates by one percentage point would have the following effects for 2008:

	Increase	Decrease
Total of service and interest cost	\$ 349	\$ (265)
Accrued benefit obligation	\$ 1,812	\$ (1,416)

In 2008, the Company contributed and expensed \$2,152 (2007 - \$1,980) to the defined contribution tier, which amounts are not included in the recognized defined benefit costs above.

The average remaining service period of the active employees covered by the pension plans is 13 years (2007 – 13 years). The average remaining service period of the active employees covered by the other retirement benefits plans is 18 years (2007 – 18 years).

MX has provided a letter of guarantee in the amount of \$2,093 to the benefit of the trustee of the MX employee future benefit plan, using a part of the operating line of credit in place with its bank (note 13).

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10. Commitments:

The Company is committed under long-term leases and licences as follows:

- (a) The rental of office space, under various long-term operating leases with remaining terms of up to 10 years and a capital lease for an initial term of 25 years with an additional 10-year renewal option.
- (b) The rental of computer hardware and software for terms of one to three years.
- (c) Certain data licences for terms of up to 10 years.

Current lease and licence obligations over the remaining terms are as follows:

Years ending December 31:	
2009	\$ 23,691
2010	18,824
2011	10,607
2012	7,990
2013	7,591
Thereafter	25,818
	<hr/>
	\$ 94,521

In addition, the Company is responsible for additional taxes, maintenance and other direct charges with respect to its leases. The additional amount will be approximately \$5,500 for 2009.

11. Other liabilities:

Other liabilities include amounts payable under the long-term incentive plan (note 18), liabilities due to the contraction of office space and amounts due on acquisitions made during the previous years.

12. Deferred revenue – initial and additional listing fees:

Deferred revenue – initial and additional listing fees represents non-refundable fees received from listed issuers. This deferred revenue is recognized on a straight-line basis over an estimated service period of ten years.

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13. Credit facilities:

The Company has the following credit facilities:

	Interest rate	Year of maturity	Authorized	Amount drawn at December 31, 2008
TMX Group non-revolving three year term facility	30 day and 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	-
NGX letter of credit	-	N/A	US\$100,000	-
NGX overdraft facility	-	N/A	20,000	-
NGX EFT Daylight facility	-	N/A	300,000	-
Total credit facilities				\$ 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 ("B.A.") 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 at December 31, 2008, the Company has prepaid \$1,722 of financing fees, which leaves a net credit facility liability of \$428,278. These financing fees will be amortized over the remaining term of the loan.

MX has an outstanding letter of credit for \$2,093 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 (note 23). The Company was in compliance with these covenants at December 31, 2008.

During 2008, the Company recognized interest expense on the facilities of \$10,505 (2007 - \$Nil) which included \$492 of amortized financing fees.

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14. Interest rate swaps:

The Company has entered into a series of interest rate swap agreements to partially manage its exposure to interest rate fluctuations on the non-revolving three year term facility, effective August 28, 2008. The interest rate swaps in place as of the balance sheet date are as follows:

Swap number	Notional value	Maturity date	Interest rate the Company will receive	Interest rate the Company will pay	Fair value unrealized gain/(loss) at December 31, 2008	Fair value unrealized gain/(loss) at December 31, 2007
#1	\$ 100,000	August 31, 2009	30 day B.A.	3.496%	\$ (1,787)	\$ -
#2	100,000	August 31, 2010	30 day B.A.	3.749%	(4,598)	-
#3	100,000	April 18, 2011	30 day B.A.	3.829%	(6,092)	-
Total	\$ 300,000				\$ (12,477)	\$ -

The Company marks to market the fair value of these interest rate swaps as an adjustment to income. During 2008, unrealized losses of \$12,477 and realized losses of \$812 have been reflected in net income (2007 - \$nil and \$nil). Both amounts have been included within mark to market on interest rate swaps.

15. Share capital:

The authorized capital of the Company consists of an unlimited number of common shares and an unlimited number of preference shares, issuable in series. No preference shares have been issued.

Each common share of the Company entitles its holder to one vote at all meetings of shareholders subject to certain restrictions with respect to the voting rights and the transferability of the shares. No person or combination of persons acting jointly or in concert is permitted to beneficially own or exercise control or direction over more than 10% of any class or series of voting shares of the Company without the prior approval of the Ontario Securities Commission and Quebec's Autorité des marchés financiers.

Each common share of the Company is also entitled to receive dividends if, as and when declared by the Board of Directors of the Company. All dividends that the Board of Directors of the Company may declare and pay will be declared and paid in equal amounts per share on all common shares, subject to the rights of holders of the preference shares. Holders of common shares will participate in any distribution of the net assets of the Company upon liquidation, dissolution or winding-up on an equal basis per share, but subject to the rights of the holders of the preference shares.

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There are no pre-emptive, redemption, purchase or conversion rights attaching to the common shares, except for the compulsory sale of shares or redemption provision described in connection with enforcing the restriction on ownership of voting shares of the Company.

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

	Number of common shares		Share Capital	
	2008	2007	2008	2007
Balance, beginning of the period	66,278,370	68,421,264	\$ 379,370	\$ 387,501
Issued (note 2)	15,316,608	-	806,573	-
Repurchased and cancelled	(7,523,249)	(2,399,862)	(110,234)	(13,712)
Options exercised	331,848	256,968	8,690	5,581
Balance, end of the period	74,403,577	66,278,370	\$ 1,084,399	\$ 379,370

In connection with the Company's normal course issuer bid ("NCIB") approved on August 1, 2007, the Company completed the repurchase of the remaining shares under its pre-defined automatic purchase plan with its designated broker. In 2008, the Company purchased 4,441,189 common shares at an aggregate cost of \$185,170 under this plan, of which \$64,713 was charged to share capital and the excess of the cost of the NCIB over the stated value of the common shares of \$120,457 was charged to deficit.

In addition, on August 14, 2008, the Company received approval from Toronto Stock Exchange to repurchase up to 7,595,585 of its common shares under a new NCIB. Common shares purchased under the NCIB are cancelled, and purchases may be made over a one year period ending August 17, 2009, or such earlier date as the Company completes its purchases. In connection with this plan, the Company entered into a new pre-defined automatic purchase plan with its designated broker. In 2008, the Company purchased 3,082,060 common shares at an aggregate cost of \$100,240 of which \$45,521 was charged to share capital and the excess of the cost of the NCIB over the stated value of the common shares of \$54,719 was charged to deficit.

16. Employee share purchase plan:

The Company offers an employee share purchase plan for eligible employees of the Company and of its designated subsidiaries. Under the employee share purchase plan, contributions by the Company and by eligible employees will be used by the plan administrator, CIBC Mellon Trust Company, to make purchases of common shares of the Company on the open market. Each eligible employee may contribute up to 10% of the employee's salary to the employee share purchase plan. The Company will contribute to the plan administrator the funds required to purchase one common share of the Company for each two common shares purchased on

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behalf of the eligible employee, up to a maximum annual contribution of \$2. Shareholder approval is not required for this plan or any amendments to the plan.

The Company accounts for its contributions as compensation expense when the amounts are contributed to the plan. Compensation expense related to this plan was \$1,106 for the year ended December 31, 2008 (2007 - \$914).

17. 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, if any, as determined by the Human Resources Committee of the Board, 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. 4,252,296 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% (2007 - 2.52%); expected volatility of 23.6% (2007 - 25%); risk-free interest rate of 4.1% (2007 - 4%) and expected life of 7 years (2007 - 7 years).

Share options granted in 2008 have strike prices in the range of \$36.46 to \$54.50. Share options granted in 2007 had strike prices in the range of \$42.80 to \$53.04.

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

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Share options:

	2008		2007	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Outstanding, beginning of year	973,522	\$ 31.64	1,096,650	\$ 25.17
Granted	526,228	44.71	219,948	52.48
Forfeited	(146,083)	50.46	(86,108)	45.59
Exercised	(331,848)	20.97	(256,968)	17.19
Outstanding, end of year	1,021,819	\$ 39.14	973,522	\$ 31.64

At December 31, 2008, 466,026 options were fully vested and exercisable at strike prices in the range of \$10.53 to \$54.50. During 2008, the Company recognized compensation costs of \$2,473 in relation to its share option plan (2007 - \$2,283).

18. Interim bonus and long-term incentive plan:

Effective January 1, 2001, TSX introduced an interim bonus plan (in lieu of a long-term incentive plan) for employees or officers at or above the director-level of TSX and its designated subsidiaries. The interim bonus plan provided eligible employees with a deferred award based on the annual financial performance of the Company. Amounts earned in 2001 were converted into deferred share units for executive officers and restricted share units for other participants, based on the price of one common share of the Company, in conjunction with the public offering of the Company. Amounts earned in 2002 were converted into deferred share units or restricted share units based on the value of one common share of the Company on December 31, 2002.

Deferred share units vested over a three year period ended December 31, 2005, but can only be redeemed upon termination of employment or retirement by cash payment. Restricted share units vested and were redeemed in cash by December 31, 2005.

In January 2004, the Board approved a long-term incentive plan for employees or officers at or above the director-level of the Company and its designated subsidiaries or employees below the director-level designated by the CEO of the Company, which provides for the granting of restricted share units ("RSUs"). The amount of the award payable at the end of three years will be determined by the total shareholder return at the end of the three year period. Total shareholder return represents the appreciation in share price of the Company plus dividends paid on a common share of the Company, measured at the time RSUs vest.

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The Company records its obligation under the long-term incentive plan, if any, in the period in which the award is earned. The Company has purchased swaps to economically hedge against the impact of its share price fluctuations on the non-performance based portion of the long-term incentive plan (note 21). As at December 31, 2008, the total accrual for the Company's long-term incentive plan is \$3,255 (December 31, 2007 - \$17,139) and this is included in accounts payable and accrued liabilities and other liabilities.

The maximum amount to be paid is not known until the awards have vested and will be based on total shareholder return to the time of payout. The accrual is based on actual dividends paid, continuation of the most recent quarterly dividend and the closing price of the Company's common shares for the period.

19. Earnings per share:

	2008	2007
Net income	\$ 181,952	\$ 148,697
Weighted average number of common shares outstanding	73,443,944	67,970,365
Basic earnings per share	2.48	\$ 2.19
Diluted weighted average number of common shares outstanding	73,540,390	68,464,095
Diluted earnings per share	2.47	\$ 2.17

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20. Income taxes:

Income tax expense attributable to income differs from the amounts computed by applying the combined federal and provincial income tax rate of 32.60% (2007 – 35.03%) to pre-tax income from operations as a result of the following:

	2008	2007
Income before income taxes, after non-controlling interests	\$ 280,101	\$ 257,397
Computed expected income tax expense	\$ 91,316	\$ 90,166
Provincial tax holiday	(1,770)	-
Non-deductible expenses	6,256	1,076
Share of affiliate loss (income)	(458)	(132)
Deferred revenue not affecting income tax expense	(982)	(1,846)
Impact of changes in substantively enacted income tax rates	569	15,091
Other	3,218	4,345
	\$ 98,149	\$ 108,700

The income tax provisions for the years ended December 31, 2008 and 2007 are as follows:

	2008	2007
Current income tax expense	\$ 107,473	\$ 111,770
Future income tax benefit	(9,324)	(3,070)
	\$ 98,149	\$ 108,700

The tax effects of temporary differences that give rise to significant portions of the future tax asset and liability at December 31, 2008 and 2007 are presented below:

	2008	2007
Non-capital loss carryforwards	\$ 2,229	\$ 325
Premises and equipment	4,694	4,445
Cumulative eligible capital/intangible assets	(205,184)	15,611
Total return swaps and interest rate swaps	5,970	(1,356)
Restructuring	3,215	-
Deferred listing revenue	131,448	125,341
Other temporary differences	3,883	10,087
Valuation allowance	(827)	-
	\$ (54,572)	\$ 154,453
Future tax assets:		
Current	\$ 34,030	\$ 22,840
Long-term	132,499	131,613
Future tax liabilities:		
Long-term	(221,101)	-
	\$ (54,572)	\$ 154,453

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21. Financial instruments:

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

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

December 31, 2008					
Asset/(Liability)	Held for trading		Loans and receivables/ (other financial liabilities)	Carrying amount	Fair value
	Classified	Designated			
Cash and cash equivalents	\$ –	\$ 102,442	\$ –	\$ 102,442	\$ 102,442
Marketable securities	–	96,251	–	96,251	96,251
Restricted cash	–	1,454	–	1,454	1,454
Accounts receivable – trade	–	–	62,076	62,076	62,076
Accounts receivable - other	–	–	1,646	1,646	1,646
Energy contracts receivable	–	–	976,431	976,431	976,431
Fair value of open energy contracts	–	155,331	–	155,331	155,331
Daily settlements and cash deposits	–	–	497,312	497,312	497,312
Option to acquire NetThruPut Inc.	10,265	–	–	10,265	10,265
Accounts payable and accrued liabilities	–	–	(53,619)	(53,619)	(53,619)
Total return swaps	(5,838)	–	–	(5,838)	(5,838)
Interest rate swaps	(12,477)	–	–	(12,477)	(12,477)
Energy contracts payable	–	–	(976,431)	(976,431)	(976,431)
Fair value of open energy contracts	–	(155,331)	–	(155,331)	(155,331)
Daily settlements and cash deposits	–	–	(497,312)	(497,312)	(497,312)
Term loan payable, net	–	–	(428,278)	(428,278)	(428,278)

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December 31, 2007					
Asset/(Liability)	Held for trading		Loans and receivables/ (other financial liabilities)	Carrying amount	Fair value
	Classified	Designated			
Cash and cash equivalents	\$ –	\$ 53,398	\$ –	\$ 53,398	\$ 53,398
Marketable securities	–	249,399	–	249,399	249,399
Restricted cash	–	–	–	–	–
Accounts receivable – trade	–	–	42,928	42,928	42,928
Accounts receivable - other	–	–	1,384	1,384	1,384
Total return swaps	4,126	–	–	4,126	4,126
Interest rate swaps	–	–	–	–	–
Energy contracts receivable	–	–	745,378	745,378	745,378
Fair value of open energy contracts	–	74,907	–	74,907	74,907
Daily settlements and cash deposits	–	–	–	–	–
Option to acquire NetThruPut Inc.	10,265	–	–	10,265	10,265
Accounts payable and accrued liabilities	–	–	(48,175)	(48,175)	(48,175)
Energy contracts payable	–	–	(745,378)	(745,378)	(745,378)
Fair value of open energy contracts	–	(74,907)	–	(74,907)	(74,907)
Daily settlements and cash deposits	–	–	–	–	–
Term loan payable, net	–	–	–	–	–

(b) Marketable securities:

The investment portfolio includes pooled fund investments, federal, provincial and corporate bonds, and bank-backed asset-backed debt securities, managed by external investment fund managers. 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.

The Company has designated its marketable securities as held-for-trading. At December 31, 2008, these investments have been measured at fair value and unrealized gains of \$1,206 have been reflected in net income in the consolidated financial statements for the year ended December 31, 2008 (2007 – unrealized losses of \$3,142).

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(c) Total return swaps:

The Company has entered into a series of total return swaps (“TRSs”) 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 TRSs as an adjustment to income, and simultaneously marks to market the liability to holders of the units as an adjustment to income. The fair value of the TRSs is based upon the excess or deficit of the volume weighted average price of the Company’s shares for the last five trading days of the year compared with the Company’s share price at the date of entering into the TRSs. The fair value of the TRSs and the obligation to unit holders are reflected on the balance sheet. The contracts are settled in cash upon maturity.

The following tables represent the TRSs which are outstanding:

As at December 31, 2008:

	Remaining term to maturity (notional amount)			Fair value		
	Under 1 year	1 to 3 years	Total	Gain	Loss	Net
	Equity Swap Contract #13	\$ 854	\$ –	\$ 854	\$ –	\$ (433)
Equity Swap Contract #17	–	407	407	–	(135)	(135)
Equity Swap Contract #18	4,321	–	4,321	–	(1,528)	(1,528)
Equity Swap Contract #19	5,516	–	5,516	–	(2,241)	(2,241)
Equity Swap Contract #20	3,695	–	3,695	–	(1,501)	(1,501)
	\$ 14,386	\$ 407	\$ 14,793	\$ –	\$ (5,838)	\$ (5,838)

As at December 31, 2007:

	Remaining term to maturity (notional amount)			Fair value		
	Under 1 year	1 to 3 years	Total	Gain	Loss	Net
	Equity Swap Contract #5	\$ 695	\$ –	\$ 695	\$ 627	–
Equity Swap Contract #10	664	–	664	82	–	82
Equity Swap Contract #13	–	854	854	10	–	10
Equity Swap Contract #14	5,310	–	5,310	422	–	422
Equity Swap Contract #15	2,453	–	2,453	563	–	563
Equity Swap Contract #16	10,548	–	10,548	2,422	–	2,422
	\$ 19,670	\$ 854	\$ 20,524	\$ 4,126	–	\$ 4,126

Unrealized losses of \$9,964 have been reflected in net income in the consolidated financial statements for the year ended December 31, 2008 (2007 – unrealized gains \$3,008).

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(d) Interest rate swaps:

The Company has entered into a series of interest rate swap agreements, which commenced on August 28, 2008, to partially manage its exposure to interest rate fluctuations on the non-revolving three year term facility (notes 13 and 14).

The Company marks to market the fair value of the interest rate swaps. Unrealized losses of \$12,477 and realized losses of \$812 have been reflected within net income, as Mark to market on interest rate swaps, for the year ended December 31, 2008 (2007 - \$nil and \$nil).

(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.

(g) Option to acquire NetThruPut Inc.

On September 6, 2007, the Company entered into an agreement with Enbridge Inc. ("Enbridge") and Circuit Technology Limited ("Circuit") granting it the option to acquire all the shares of NetThruPut Inc. ("NTP"), at a time after March 15, 2009, for a price between \$40,000 and \$95,000 (note 26), subject to certain closing conditions. This agreement also provides Enbridge and Circuit with the right to sell all the shares of NTP under the same terms to the Company, subject to certain closing conditions. The fair value of this option at December 31, 2008 is considered to approximate its carrying value.

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22. 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.

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 December 31, 2008, MX did not have any investments in non-bank asset-backed commercial paper.

(ii) Total Return Swaps

The Company limits its exposure to credit risk on TRSs 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 receivable

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

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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 risk is limited by its status as an agent, in that it does not purchase or sell securities for its own account. As agent, in the event of a failed trade, Shorcan has the right to withdraw its normal policy of anonymity and advise the two counterparties to settle directly.

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 December 31, 2008, NGX held cash collateral deposits of \$716,484 (December 31, 2007 - \$273,612) and letters of credit of \$2,366,318 (December 31, 2007 - \$2,230,928). These amounts are not included in the Company's consolidated balance sheet.

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, when the transaction is cleared through CDCC. 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.

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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 all clearing members must cover the worst loss that CDCC could face if one counterparty is failing under various extreme but plausible market conditions. Each clearing member contributes to the clearing fund in proportion to its margin requirements. 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 approved depositories under irrevocable agreements. 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 December 31, 2008, CDCC held margin collateral deposits of \$4,502,024, and clearing fund deposits of \$201,478, primarily in collateral securities. These amounts are not included in the Company's consolidated balance sheet.

(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.

CDCC 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 December 31, 2008.

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(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 revenue, cash and cash equivalents, marketable securities, accounts receivable and accounts payable principally denominated in U.S. dollars. At December 31, 2008, cash and cash equivalents and accounts receivable, excluding BOX, and current liabilities, excluding BOX, include US \$14,962 (December 31, 2007 – US \$8,746), and US \$420 (December 31, 2007 – US \$nil) respectively, which are exposed to changes in the U.S. – Canadian dollar exchange rate. The approximate impact of a 10% rise in the Canadian dollar compared to the US dollar on these exposed balances at December 31, 2008 is a \$1,610 decrease in net income. The approximate impact of a 10% decline in the Canadian dollar compared to the US dollar on these exposed balances at December 31, 2008 is a \$1,771 increase in net income. In addition, net assets related to BOX are denominated in US dollars, and the effect of exchange rate movements on the Company's share of these net assets is included in other comprehensive income. The approximate impact of a 10% rise in the Canadian dollar compared to the US dollar on the translation of the net assets related to BOX at December 31, 2008 is a \$14,110 decrease in other comprehensive income. The approximate impact of a 10% decline in the Canadian dollar compared to the US dollar on the translation of the net assets related to BOX at December 31, 2008 is a \$15,521 increase in other comprehensive income.

(ii) Interest rate risk

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

External investment fund managers have been engaged by the Company to manage the asset mix and the risks associated with its marketable securities. At December 31, 2008 the Company held \$96,251 in these funds (December 31, 2007 - \$249,399). The approximate impact on the carrying value of these investments of a 1% rise and a 1% fall in interest rates is (\$1,919) and \$1,962 respectively.

The Company has entered into a series of interest rate swaps agreements to partially manage its exposure to interest rate fluctuations on the non-revolving term loan (note 14). At December 31, 2008, the fair value of these interest rate swaps was a liability of \$12,477. The approximate

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impact of a 1% rise and a 1% fall in interest rates on the fair value of the swaps is a \$4,261 decrease in the liability and a \$4,360 increase in the liability respectively.

(iii) Equity price risk

The Company is exposed to equity price risk arising from its long-term incentive plan, as the Company's obligation under the plan is partly based on the price of the Company's shares. The Company has entered into TRSs as a partial fair value hedge to the share appreciation rights of the restricted and deferred share units awarded under the plan. The fair value of the TRSs is based upon the excess or deficit of the volume weighted average price of the Company's shares for the last five trading days of the month compared with the Company's share price at the date of entering into the TRSs. As at December 31, 2008, a 25% increase in the share price of the Company would result in a net \$176 increase in net income. A 25% decrease in the share price of the Company would result in a net \$141 decrease in net income.

(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, in that it does not purchase or sell securities for its own account, the short period of time between trade date and settlement date, and the defaulting customer's 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.

The Company is also exposed to other market price risk on a portion of its sustaining fees revenue, which is based on quoted market values of listed issuers as at December 31 of the previous year.

(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 13) and capital (note 23).

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23. Capital maintenance:

In accordance with Section 1535 “Capital Disclosures” of the CICA Handbook, the Company’s primary objectives in managing capital, which it defines as including its share capital and various credit facilities, 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;

(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:

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

The Company has complied with these externally imposed capital requirements;

- (e) In respect of Shorcan by the Investment Industry Regulatory Organization of Canada ("IIROC") which requires Shorcan to maintain a minimum level of shareholders' 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 13) 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.

The current economic conditions have not changed our objectives, policies or processes for managing capital.

24. 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 with the IDA to form the IIROC. As a result of the combination, the Company relinquished any

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(In thousands of dollars, except per share amounts)

Years ended December 31, 2008 and 2007

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 period up to June 1, 2008, \$2,825 of Business services and other revenue was earned for technology service provided to RS (year ended December 31, 2007 - \$7,184) and \$1,435 was paid to RS for services provided by RS (year ended December 31, 2007 - \$3,538).

25. Related party transactions:

In 2001, MX signed an agreement with BOX to provide, for a fee, the technology and related services required for its electronic trading system. In addition, beginning in February 2004, MX became a 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. On August 29, 2008, BOX became a subsidiary of the Company (note 2).

Amounts invoiced for the year ended December 31, 2008, covering the period before BOX became a subsidiary, are \$4,963 (year ended December 31, 2007 - \$nil). These transactions were undertaken in the normal course of business. Starting August 29, 2008, due to the acquisition of control, these amounts are eliminated upon consolidation.

26. Contingent liabilities:

The Company may make additional payments of up to a maximum \$3,082 contingent on the results of acquisition operations within the next two years.

In the first half of 2009, the Company expects to exercise its option and acquire NTP, which it estimates will require cash of approximately \$20,000 to \$30,000, in addition to issuing approximately \$25,000 to \$35,000 of TMX Group common shares.

From time to time in connection with its operations, the Company or its subsidiaries are named as a defendant in actions for damages and costs sustained by plaintiffs, or as a respondent in court proceedings challenging the Company's or its subsidiaries' regulatory actions, decisions or jurisdiction. In 2005, TSX Venture Exchange was named as a defendant in an action for unspecified damages. The Company believes this claim is without merit and intends to vigorously defend the action. Accordingly, no provision has been set up in the accounts.

27. Comparative figures:

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