Consolidated Financial Statements of

TMX GROUP INC.

Years ended December 31, 2010 and 2009

(in thousands of Canadian dollars, unless otherwise stated)

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of TMX Group Inc.

We have audited the accompanying consolidated financial statements of TMX Group Inc. ("the Company"), which comprise the consolidated balance sheets as at December 31, 2010 and 2009 and the consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of TMX Group Inc. as at December 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

Toronto, Canada

February 9, 2011

TMX GROUP INC.

Consolidated Balance Sheets
(In thousands of Canadian dollars)

		December 31, 2010		December 31, 2009
Assets				
Current assets:				
Cash and cash equivalents (note 4)	**$**	**68,797**	$	87,978
Marketable securities (note 4)		**261,605**		103,169
Restricted cash		**1,105**		911
Accounts receivable		**89,680**		79,427
Energy contracts receivable (note 21)		**754,933**		714,545
Fair value of open energy contracts (note 21)		**141,894**		202,760
Daily settlements and cash deposits (note 21)		**193,065**		565,408
Prepaid expenses		**6,699**		6,032
Income taxes recoverable		**3,116**		4,619
Future income tax assets (note 20)		**29,651**		26,675
		1,550,545		1,791,524
Premises and equipment (note 5)		**33,570**		31,556
Future income tax assets (note 20)		**152,500**		144,551
Other assets (note 6)		**28,043**		27,745
Investment in affiliate, at equity (note 7)		**14,152**		12,845
Intangible assets (note 8)		**920,482**		932,443
Goodwill (note 8)		**582,627**		583,811
Total Assets	**$**	**3,281,919**	$	3,524,475
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable and accrued liabilities	**$**	**59,093**	$	44,883
Energy contracts payable (note 21)		**754,933**		714,545
Fair value of open energy contracts (note 21)		**141,894**		202,760
Daily settlements and cash deposits (note 21)		**193,065**		565,408
Deferred revenue		**18,651**		15,074
Deferred revenue – initial and additional listing fees (note 14)		**88,887**		78,001
Fair value of interest rate swaps (note 11)		**697**		2,117
Future income tax liabilities (note 20)		**10**		118
Obligations under capital leases (note 12)		**3,326**		3,413
Income taxes payable		**6,090**		3,232
Term loan (note 10)		**429,754**		–
		1,696,400		1,629,551
Accrued employee benefits payable (note 9)		**12,843**		12,787
Obligations under capital leases (note 12)		**3,799**		5,512
Future income tax liabilities (note 20)		**236,736**		234,697
Other liabilities (note 13)		**23,259**		21,832
Deferred revenue		**1,011**		882
Deferred revenue – initial and additional listing fees (note 14)		**444,338**		405,123
Fair value of interest rate swaps (note 11)		**–**		3,584
Term loan (note 10)		**–**		429,016
Total Liabilities		**2,418,386**		2,742,984
Non-controlling Interests		**10,422**		10,915
Shareholders' Equity:				
Share capital (note 15)		**1,104,131**		1,102,619
Share option plan (note 17)		**11,220**		8,708
Deficit		**(261,727)**		(343,975)
Accumulated other comprehensive (loss) income		**(513)**		3,224
Total Shareholders' Equity		**853,111**		770,576
Commitments and contingent liabilities (notes 12 and 25)				
Total Liabilities and Shareholders' Equity	**$**	**3,281,919**	$	3,524,475

See accompanying notes to consolidated financial statements.

On behalf of the Board:

"Wayne Fox"____Chair "J. Spencer Lanthier"_____ Director

TMX GROUP INC.

Consolidated Statements of Income
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2010 and 2009

		2010		2009
Revenue:				
Issuer services	**$**	**162,955**	$	142,962
Trading, clearing and related		**242,165**		237,535
Information services		**154,415**		149,004
Technology services and other		**15,928**		30,631
Total revenue		**575,463**		560,132
Expenses:				
Compensation and benefits		**133,478**		129,369
Information and trading systems		**47,773**		46,120
General and administration		**72,967**		69,266
Amortization		**32,307**		32,194
Total operating expenses		**286,525**		276,949
Income from operations		**288,938**		283,183
Income from investment in affiliate		**1,307**		420
Unrealized loss on investment carried at cost (note 21)		**(1,662)**		–
Investment income		**5,212**		4,623
Goodwill impairment charge		**–**		(77,255)
Interest expense (note 10)		**(6,205)**		(6,071)
Net mark to market on interest rate swaps (note 11)		**(223)**		(1,414)
Income before income taxes		**287,367**		203,486
Income taxes (note 20)		**90,741**		96,952
Net income before non-controlling interests		**196,626**		106,534
Non-controlling interests		**91**		1,833
Net income	**$**	**196,535**	$	104,701
Earnings per share (note 19):				
Basic	**$**	**2.64**	$	1.41
Diluted	**$**	**2.64**	$	1.41

See accompanying notes to consolidated financial statements.

TMX GROUP INC.

Consolidated Statements of Comprehensive Income
(In thousands of Canadian dollars)

Years ended December 31, 2010 and 2009

		2010		2009
Net income	**$**	**196,535**	$	104,701
Other comprehensive loss:				
Unrealized loss on translating financial statements of self-sustaining foreign operations (net of tax - $nil)		**(3,737)**		(20,880)
Comprehensive income	**$**	**192,798**	$	83,821

See accompanying notes to consolidated financial statements.

TMX GROUP INC.

Consolidated Statements of Changes in Shareholders' Equity
(In thousands of Canadian dollars)

Years ended December 31, 2010 and 2009

		2010		2009
Common shares:				
Balance, beginning of period	**$**	**1,102,619**	$	1,084,399
Issuance of common shares		–		32,052
Proceeds from options exercised		**1,226**		573
Cost of exercised options		**286**		170
Purchased under normal course issuer bid		–		(14,575)
Balance, end of period		**1,104,131**		1,102,619
Share option plan:				
Balance, beginning of period		**8,708**		5,969
Cost of exercised options		**(286)**		(170)
Cost of share option plan		**2,798**		2,909
Balance, end of period		**11,220**		8,708
Deficit:				
Balance, beginning of period		**(343,975)**		(319,843)
Net income		**196,535**		104,701
Dividends on common shares		**(114,287)**		(112,973)
Shares purchased under normal course issuer bid		–		(15,860)
Balance, end of period		**(261,727)**		(343,975)
Accumulated other comprehensive (loss) income:				
Balance, beginning of period		**3,224**		24,104
Unrealized loss on translating financial statements of self-sustaining foreign operations		**(3,737)**		(20,880)
Balance, end of period		**(513)**		3,224
Shareholders' equity, end of period	**$**	**853,111**	$	770,576

See accompanying notes to consolidated financial statements.

TMX GROUP INC.

Consolidated Statements of Cash Flows
(In thousands of Canadian dollars)

Years ended December 31, 2010 and 2009

		2010		2009
Cash flows from (used in) operating activities:				
Net income	**$**	**196,535**	$	104,701
Adjustments to determine net cash flows:				
Amortization		**32,307**		32,194
Unrealized loss on marketable securities		**635**		153
Income from investment in affiliate, at equity		**(1,307)**		(420)
Unrealized loss on investment carried at cost (note 21)		**1,662**		–
Cost of share option plan		**2,798**		2,909
Amortized financing fees		**738**		738
Non-controlling interests		**91**		1,833
Goodwill impairment charge		**–**		77,255
Unrealized gain on interest rate swaps (note 11)		**(5,004)**		(6,776)
Unrealized foreign exchange loss		**141**		343
Future income taxes		**(8,994)**		3,476
Accounts receivable and prepaid expenses		**(11,124)**		(12,524)
Other assets		**(1,960)**		(9,226)
Accounts payable and accrued liabilities		**14,529**		(10,409)
Long-term accrued and other liabilities		**1,018**		2,506
Deferred revenue		**53,807**		33,154
Income taxes		**4,325**		(15,030)
		280,197		204,877
Cash flows from (used in) financing activities:				
Reduction in obligation under capital lease		**(3,850)**		(2,754)
Restricted cash		**(194)**		543
Proceeds from exercised options		**1,226**		573
Dividends on common shares		**(114,287)**		(112,973)
Shares purchased under normal course issuer bid		**–**		(30,435)
Dividends paid to non-controlling interests		**–**		(6,353)
		(117,105)		(151,399)
Cash flows from (used in) investing activities:				
Additions to premises and equipment		**(12,813)**		(7,136)
Additions to intangible assets		**(9,684)**		(13,152)
Marketable securities		**(159,071)**		(7,071)
Acquisitions, net of cash acquired (note 2)		**–**		(37,932)
		(181,568)		(65,291)
Unrealized foreign exchange loss on cash and cash equivalents held in foreign subsidiaries		**(705)**		(2,651)
Decrease in cash and cash equivalents		**(19,181)**		(14,464)
Cash and cash equivalents, beginning of period		**87,978**		102,442
Cash and cash equivalents, end of period	**$**	**68,797**	$	87,978

Supplemental cash flow information:				
Interest paid	**$**	**5,748**	$	4,619
Interest received		**5,419**		3,962
Income taxes paid		**95,385**		110,350

See accompanying notes to consolidated financial statements.

TMX Group Inc. 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, Montréal Exchange Inc. (“MX”), Canada’s national derivatives exchange, Natural Gas Exchange Inc. (“NGX”), an exchange providing a platform for the trading and clearing of natural gas, electricity, and crude oil contracts in North America, Shorcan Brokers Limited (“Shorcan”), an inter-dealer broker, and The Equicom Group Inc. (“Equicom”), providing investor relations and related corporate communications services.

1. Significant Accounting Policies:

(a) Basis of presentation:

The consolidated financial statements (the “financial statements”) have been prepared by management in accordance with Canadian generally accepted accounting principles (“GAAP”), and they include the accounts of TMX Group Inc. and its wholly owned subsidiaries, including TSX Inc. (“TSX”), MX, NGX, Shorcan, Equicom, CDEX Inc. to September 8, 2010, NetThruPut Inc. (“NTP”) from May 1, 2009, TMX Exchange Services Limited from October 26, 2010, TMX Select Inc. from August 3, 2010 and the wholly-owned or controlled subsidiaries of TSX, MX, NGX and Shorcan, collectively referred to as the “Company”.

The preparation of the financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, contingent assets and contingent liabilities as at the date of the financial statements, and the reported amounts of revenue and expenses during the year, along with related disclosures. Areas where management has applied significant judgement include deferred revenue – initial and additional listing fees, the carrying values of goodwill and intangible assets, pensions and other post-employment benefits, long term incentive plan liabilities, income taxes, bad debt provisions, sales return provisions, obligations under capital leases and the fair value of financial instruments including open energy contracts. Actual results could differ from those estimates.

(b) Basis of consolidation:

Subsidiaries are entities controlled by the Company, and they are consolidated from the date on which control is transferred to the Company until the date that control ceases.

Equity accounted investees are entities in which the Company has significant influence, but not control, over the financial and operating policies. Investments in these entities are recognized initially at cost and subsequently accounted for using the equity method of accounting.

Intercompany balances and transactions have been eliminated in full on consolidation.

(c) Premises and equipment:

Premises and equipment are recorded at cost less accumulated amortization, and any impairment in value.

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

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

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

Premises and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated undiscounted future cash flows, the Company will then determine the fair value of the asset, and will recognize an impairment charge equal to the excess of the carrying value over the fair value.

(d) Revenue recognition:

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

Issuer services 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.

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

Clearing revenue related to derivatives clearing is recognized in the month in which the settlement of the related transaction occurs.

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

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

Technology services and other revenue includes revenue from technology license fees which is recognized in the month of transfer of the license to the customer. Other technology 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. Where realization of a future tax asset is not considered “more likely than not”, a valuation allowance is provided against that asset.

(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 former officers. Benefits are based on years of service and the employee's compensation. The costs of these programs are being funded currently, except for MX, where a portion is guaranteed by a letter of credit. 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.

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 defined 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.

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

(g) Intangible assets:

Intangible assets are recorded at cost less accumulated amortization, where applicable, and any impairment in value.

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

Asset	Basis	Rate
Indefinite life intangibles		
Derivative products	n/a	n/a
Trade names	n/a	n/a
Regulatory designation	n/a	n/a
Crude oil products	n/a	n/a
Index licenses	n/a	n/a
Definite life intangibles		
Customer bases	Declining balance	2 - 7%
Customer bases	Straight line	3 – 30 Years
Data license	Straight line	10 Years
Capitalized software and software development	Straight line	5 Years

Indefinite life 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.

Definite life intangibles are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Recoverability of assets is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated undiscounted cash flows, the Company will then determine the fair value of the asset, and will recognize an impairment charge equal to the excess of the carrying value over the fair value.

(h) Goodwill:

Goodwill is recognized at cost less any subsequent impairment in value. 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 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 identified separately on the statement of income.

(i) 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.

(j) Share-based compensation:

The Company has both equity-settled and cash-settled 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, using a recognized option pricing model, and amortized over the vesting period. Compensation cost attributable to awards to 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.

No compensation cost is recognized for options or cash-settled awards that employees forfeit if they fail to satisfy the service requirement for vesting.

(k) 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.

(l) Restricted cash:

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

(m) Financial Instruments:

The company classifies its financial assets and liabilities according to their characteristics and the purpose for which they were acquired, as follows:

Held for trading:

Held for trading includes classified derivatives and financial assets or liabilities designated by the Company as held for trading on initial recognition. These are measured at fair value with changes in fair value recognized through net income.

Loans and receivables:

Loans and receivables includes non-derivative financial assets and liabilities with fixed or determinable payments that are not quoted on an active market. These are recorded initially at fair value, then at amortized cost using the effective interest method.

Held to maturity:

Held to maturity includes non-derivative financial assets with fixed or determinable payments and a fixed maturity, and the Company intends and is able to hold to maturity. These are initially recorded at fair value and subsequently measured at amortized cost using the effective interest method.

Available-for-sale:

Available-for-sale includes non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. These are measured at fair value with unrealized gains and losses recorded in other comprehensive income (loss) until the asset is sold or if an unrealized loss is considered other than temporary. Investments in equity instruments that do not have a quoted market price are measured at cost.

(n) Daily settlements and cash deposits:

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

(o) 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 statements 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 statements of income.

(p) Foreign currency translation:

The assets and liabilities of the Company's self-sustaining foreign operations, which include BOX, are translated at the rate of exchange in effect at the balance sheet date. Revenue and expenses are translated at the relevant average monthly exchange rates. The resulting unrealized exchange gain or loss is included in accumulated other comprehensive (loss) income within shareholders' equity.

The Company's integrated foreign operations are translated using the temporal method. Under this method, monetary assets and liabilities are translated at the rate of exchange in effect at the balance sheet date, and revenue and expenses are translated at the relevant average monthly exchange rates. Non-monetary assets, and any associated amortization charges, are translated at historical exchange rates. Resulting foreign exchange gains and losses are included in Technology services and other revenue for the period.

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

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

(q) Future accounting changes:

International Financial Reporting Standards ("IFRS"):

In March 2009, the Canadian Accounting Standards Board reconfirmed in its second omnibus Exposure Draft that Canadian GAAP for publicly accountable enterprises will be replaced by IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Accordingly, these financial statements will be the last prepared by the Company under pre-conversion Canadian GAAP, and the conversion to IFRS will be applicable to the Company's reporting for the first quarter of 2011, for which current and comparative information will be prepared under IFRS. The Company will also present an opening IFRS statement of financial position, or balance sheet, as at January 1, 2010, the Company's date of transition, as part of the Company's 2011 interim and annual financial statements.

2. Business acquisition:

On May 1, 2009, the Company acquired 100% of the outstanding common shares of NTP. The principal business activity of NTP is to provide an electronic trading platform and clearing facility for physical crude oil products. The aggregate purchase price consisted of:

Common shares of TMX Group (878,059 shares issued)	$	32,052
Cash		23,680
Book value of the option to acquire NTP		9,500
Direct transaction costs		1,242
Restructuring costs		401
Aggregate purchase price	**$**	**66,875**

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

The restructuring costs primarily relate to the costs of consolidating NGX and NTP's technology services and offices.

The Company's common shares issued as part of the transaction were valued at $36.50 per share. The $36.50 per share represents the volume weighted average market price of the Company's common shares over a reasonable period before and after April 1, 2009, the day the Company exercised its option to acquire NTP. The purchase price has been allocated to the fair values of the assets acquired and liabilities assumed as follows:

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

	Net assets acquired
Cash and cash equivalents	$ 643
Energy contracts receivable	363,140
Fair value of open energy contracts	4,297
Other current assets	4,012
Premises and equipment	25
Future income tax asset	901
Intangible assets	49,620
Goodwill	30,581
Net tangible and intangible assets acquired	**453,219**
Less liabilities assumed:	
Current liabilities	4,395
Energy contracts payable	363,140
Fair value of open energy contracts	4,297
Other liabilities	8
Future income tax liability	14,504
Total net assets acquired	**$ 66,875**

The Company recognized $80,201 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	$ 30,581
Indefinite life intangible assets:		
Product list	Not amortized	14,863
Index licenses	Not amortized	1,854
Definite life intangible assets:		
Customer base	21 years*	32,828
Capitalized software	1 year	75
Total goodwill and intangible assets		**$ 80,201**

* 22 years on acquisition

The goodwill acquired is not deductible for tax purposes.

Crude oil contracts entered into on or after May 1, 2009, transact through NGX and follow NGX's collateral model, where each contracting party is required to provide collateral, in the form of cash or letters of credit, which exceeds its outstanding credit exposure as determined by NGX in accordance with its margining methodology.

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

3. Segmented information:

The Company operates in three reportable segments: the Cash Markets ("Cash") segment, the Derivatives Markets ("Derivatives") segment, and the Energy Markets ("Energy") segment. In the Cash segment, 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 Derivatives segment provides markets for trading derivatives, clearing options and futures contracts and certain over-the-counter ("OTC") products through MX and its subsidiaries, CDCC, Montréal Climate Exchange Inc. ("MCeX"), and BOX. In the year ended December 31, 2009, the Derivatives segment included a $77,255 goodwill impairment charge relating to BOX. The Energy segment provides a platform for the trading and clearing of natural gas, electricity and crude oil contracts through NGX, and includes the brokering of crude oil through Shorcan Energy Brokers Inc. ("Shorcan Energy"), a wholly owned subsidiary of Shorcan.

Year ended December 31*

	Cash	Derivatives	Energy	Total
2010				
Issuer services	**$ 162,955**	**$ –**	**$ –**	**$ 162,955**
Trading, clearing and related	**113,131**	**83,679**	**45,355**	**242,165**
Information services	**138,514**	**15,318**	**583**	**154,415**
Technology services and other	**10,575**	**5,331**	**22**	**15,928**
Total revenue	**425,175**	**104,328**	**45,960**	**575,463**
Net income	**158,055**	**26,157**	**12,323**	**196,535**
Goodwill	**116,912**	**413,856**	**51,859**	**582,627**
Total assets	**643,546**	**1,592,438**	**1,045,935**	**3,281,919**
2009				
Issuer services	$ 142,962	$ –	$ –	$ 142,962
Trading, clearing and related	119,575	78,533	39,427	237,535
Information services	132,589	16,220	195	149,004
Technology services and other	11,805	19,193	(367)	30,631
Total revenue	406,931	113,946	39,255	560,132
Net income	133,518	(42,905)	14,088	104,701
Goodwill	116,913	415,039	51,859	583,811
Total assets	522,090	1,942,921	1,059,464	3,524,475

* Includes results from dates of acquisitions in the year

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

4. Cash and cash equivalents and marketable securities:

Cash and cash equivalents and marketable securities are comprised of:

		2010		2009
Cash	**$**	**24,272**	$	49,888
Overnight money market		**43,779**		36,062
Treasury bills		**746**		2,028
Cash and cash equivalents	**$**	**68,797**	$	87,978
Money market funds	**$**	**148,402**	$	30,619
Bonds and bond funds		**113,203**		72,550
Marketable securities	**$**	**261,605**	$	103,169

The Company's exposure to interest rate risk on its marketable securities is discussed in note 22.

5. Premises and equipment:

Premises and equipment are comprised of:

As at December 31, 2010		**Cost**		**Accumulated amortization**		**Net book value**
Computers and electronic trading equipment	**$**	**63,759**	**$**	**51,112**	**$**	**12,647**
Computers and electronic trading equipment under capital leases		**12,574**		**5,634**		**6,940**
Furniture, fixtures and other equipment		**16,712**		**15,649**		**1,063**
Leasehold improvements		**53,556**		**40,636**		**12,920**
	$	**146,601**	**$**	**113,031**	**$**	**33,570**

As at December 31, 2009		**Cost**		**Accumulated amortization**		**Net book value**
Computers and electronic trading equipment	$	58,515	$	47,517	$	10,998
Computers and electronic trading equipment under capital leases		11,608		2,762		8,846
Furniture, fixtures and other equipment		16,411		15,268		1,143
Leasehold improvements		48,630		38,061		10,569
	$	135,164	$	103,608	$	31,556

The gross carrying amounts and accumulated amortization above include the effects of foreign exchange translation for the US dollar ("USD") denominated assets where applicable.

Amortization charged for the year was $12,957 (2009 - $14,191).

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

6. Other assets:

As at December 31		2010		2009
Accrued benefit assets (note 9)	**$**	**21,252**	$	19,259
Investments carried at cost (note 21)		**6,617**		8,280
Other		**174**		206
	$	**28,043**	$	27,745

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. This agreement was terminated during 2009. In 2010, the Company charged CanDeal $nil (2009 - $135) for technology services and remitted to CanDeal $563 (2009 - $1,548) as part of a revenue sharing arrangement.

8. Goodwill and intangible assets:

(a) Impairment:

(i) Goodwill:

The Company performed its annual goodwill impairment analysis during the fourth quarter of 2010 and determined that the fair values of each of its reporting units exceeded their carrying values. Therefore, the second step of the impairment test was not required.

In assessing whether or not there is an impairment, the Company uses an income approach, based on a discounted cash flow (“DCF”) model, to determine the fair value of its reporting units. If there is indication of impairment, the Company uses the DCF model to estimate the amount of impairment. Under the DCF approach, the Company estimates the discounted future cash flows for five to eight years, depending on the reporting unit, along with a terminal value. The future cash flows are based on the Company’s estimates of expected future operating results, economic conditions and a general outlook for the industry in which the reporting unit operates. The discount rates used by the Company consider the weighted average cost of capital of the Company and certain risk premiums. The terminal value is the value attributed to the reporting unit’s operations beyond the projected time period using a perpetuity rate based on expected economic conditions and a general outlook for the industry. A market comparative approach is also used to assess the reasonableness of the fair value determined under the DCF model.

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

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

(ii) Intangible assets:

During the fourth quarter of 2010, the Company performed impairment analyses on its indefinite life intangibles and on its definite life intangibles where circumstances indicated that the asset may be impaired. The Company determined that the carrying values of its intangible assets were not impaired.

Recoverability of definite life intangible assets is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. The fair values of the indefinite life intangibles were determined using a DCF model, based on various assumptions regarding projected cash flows, including long term growth rates and discount rates. These assumptions are subjective judgments based on the Company's experience, knowledge of operations and knowledge of the economic environment in which it 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 an impairment of one or more of the Company's intangible assets.

(b) Goodwill:

A summary of the changes in goodwill is as follows:

		2010		2009
Balance, beginning of year	**$**	**583,811**	$	650,554
Purchase price adjustment related to BOX		–		(7,778)
Acquisition of NTP (note 2)		–		30,581
Other acquisitions and adjustments		–		3,065
Foreign exchange movement		**(1,184)**		(15,356)
Impairment charge		–		(77,255)
Balance, end of year	**$**	**582,627**	$	583,811

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

(c) Intangible assets:

A summary of the Company's intangible assets is as follows:

	2010			2009		
	Gross carrying amount	Accumulated amortization	Net book value	Gross carrying amount	Accumulated amortization	Net book value
Indefinite life						
Derivative products	**$ 630,926**	**$ –**	**$ 630,926**	$ 630,926	$ –	$ 630,926
Trade names	**28,214**	–	**28,214**	28,214	–	28,214
Regulatory designation	**2,000**	–	**2,000**	2,000	–	2,000
Crude oil products	**14,863**	–	**14,863**	14,863	–	14,863
Index licenses	**1,855**	–	**1,855**	1,855	–	1,855
	677,858	–	**677,858**	677,858	–	677,858
Definite life						
Capitalized software and software development	**47,327**	**15,776**	**31,551**	40,441	8,321	32,120
Customer bases	**249,574**	**42,293**	**207,281**	250,731	32,708	218,023
Data licenses	**6,500**	**2,708**	**3,792**	6,500	2,058	4,442
	303,401	**60,777**	**242,624**	297,672	43,087	254,585
	$ 981,259	**$ 60,777**	**$ 920,482**	$ 975,530	$ 43,087	$ 932,443

The gross carrying amounts and accumulated amortization above include the effects of foreign exchange translation for the USD denominated assets where applicable.

During 2010, the Company capitalized $9,684 of software and software development costs (2009 - $13,152).

During 2010, the Company recognized amortization expense of $19,350 (2009 - $18,003).

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

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 2010, 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 $8,438 (2009 - $15,200).

Defined benefit plans:

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, 2009, and the next required valuation is as at December 31, 2012 (as at December 31, 2010 for NGX plan). For the RCA plan, the most recent actuarial valuation for funding purposes was as at December 31, 2009, and the next required valuation is as at December 31, 2010. For the MX plan, the most recent actuarial valuation for funding purposes was as at January 1, 2009 and the next required valuation will be no later than December 31, 2011, or at the date of a plan amendment, if earlier.

Accrued benefit assets and accrued benefit obligations related to the Company’s defined benefit plans are included in the consolidated balance sheet as follows:

	Pension and RCA plans		Other benefit plans	
As at December 31	**2010**	2009	**2010**	2009
Other assets	**$ 21,252**	$ 19,259	**$ –**	$ –
Accrued employee benefits payable	**–**	–	**(12,843)**	(12,787)
Total	**$ 21,252**	$ 19,259	**$ (12,843)**	$ (12,787)

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

Further details on the changes in these balances over the year are as follows:

	Pension and RCA plans		Other benefit plans	
As at December 31	**2010**	2009	**2010**	2009
Accrued benefit obligation:				
Balance, beginning of year	**$ 51,956**	$ 51,293	**$ 7,481**	$ 8,829
Adjustment for inclusion of subsidiary employees	**–**	–	**–**	1,098
Current service cost	**1,687**	1,699	**341**	269
Interest cost	**3,580**	3,505	**514**	430
Benefits paid	**(2,905)**	(3,851)	**(239)**	(202)
Employee contributions	**218**	239	**–**	–
Actuarial losses (gains)	**10,731**	700	**2,712**	(34)
Reduction in obligation due to settlement	**–**	(1,902)	**–**	–
Curtailment gain	**–**	–	**(16)**	–
Special termination benefits	**–**	228	**–**	–
Plan amendments	**–**	45	**–**	(2,909)
Balance, end of year	**$ 65,267**	$ 51,956	**$ 10,793**	$ 7,481
Plan assets:				
Fair value, beginning of year	**$ 63,587**	$ 54,058	**$ –**	$ –
Actual return on plan assets	**4,729**	2,789	**–**	–
Employer contributions	**4,948**	12,254	**239**	202
Employee contributions	**218**	239	**–**	–
Benefits paid	**(2,905)**	(3,851)	**(239)**	(202)
Net transfers out	**–**	(1,902)	**–**	–
Fair value, end of year	**$ 70,577**	$ 63,587	**$ –**	$ –
Funded status-plan surplus (deficit)	**5,310**	$ 11,631	**$ (10,793)**	$ (7,481)
Unamortized net actuarial loss	**15,733**	6,523	**2,864**	153
Employer contributions after measurement date	**205**	1,010	**58**	58
Unamortized past service costs	**4**	95	**(4,972)**	(5,517)
Accrued benefit asset (liability)	**$ 21,252**	$ 19,259	**$ (12,843)**	$ (12,787)

Plan assets consist of:

Asset category	**Percentage of plan assets**	
	2010	2009
Equity securities	**49%**	50%
Debt securities	**38%**	36%
Canada Revenue Agency refundable tax account	**13%**	14%
	100%	100%

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

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

	Pension and RCA plans		Other benefit plans	
As at December 31	**2010**	2009	**2010**	2009
Current service cost	**$ 1,687**	$ 1,699	**$ 341**	$ 269
Interest cost	**3,580**	3,505	**514**	430
Actual return on plan assets	**(4,729)**	(2,789)	**–**	–
Plan amendments	**–**	45	**–**	(2,909)
Adjustment for inclusion of subsidiary employees	**–**	–	**–**	1,098
Special termination benefits	**–**	228	**–**	–
Curtailment gain	**–**	–	**(3)**	–
Actuarial losses (gains)	**10,731**	700	**2,712**	(34)
	11,269	3,388	**3,564**	(1,146)
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)	**1,326**	(465)	**–**	–
Difference between actuarial (gains) losses recognized for the year and actual actuarial (gains) losses on accrued benefit obligations for the year (b)	**(10,537)**	(413)	**(2,712)**	37
Difference between amortization of past service costs for the year and actual plan amendments for the year (c)	**91**	447	**(559)**	1,199
Difference between costs arising in the period and costs recognized in the year in respect of transitional obligation (asset)	**–**	13	**–**	–
Net benefit plan expense	**$ 2,149**	$ 2,970	**$ 293**	$ 90

(a) Expected return on plan assets of $(3,403) (2009 - $(3,254)) less the actual return on plan assets of $(4,729) (2009 - $(2,789)).

(b) Actuarial (gain) loss recognized for the year of $194 (2009 - $287) less the actual actuarial (gain) loss on accrued benefit obligation of $10,731 (2009 - $700).

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

(c) Amortization of past service costs for the year of $91 (2009 - $492) less the actual plan amendments for the year of $nil (2009 – $45).

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

	Pension and RCA plans		Other benefit plans	
As at December 31	**2010**	2009	**2010**	2009
Discount rate	**5.50%**	6.70%	**5.50%**	6.70%
Rate of compensation increase	**3.75%**	3.75%	**3.75%**	3.75%
Expected long-term rate of return on plan assets	**6.00%**	6.40%	**n/a**	n/a

The assumed health care cost trend rate at December 31, 2010 was 7.2% (2009 – 7.3%), decreasing to 4.5% (2009 – 4.5%) over 19 years (20 years in 2009).

Increasing or decreasing the assumed health care cost trend rates by one percentage point would have the following effects for 2010:

	Increase	Decrease
Total of service and interest cost	$ 30	$ (26)
Accrued benefit obligation	$ 681	$ (579)

The average remaining service period of the active employees covered by the pension plans is between 5 and 15 years, depending on the plan (2009 – between 10 and 15 years). The average remaining service period of the active employees covered by the other retirement benefits plans is 18 years (2009 – 18 years).

MX has provided a letter of guarantee in the amount of $720 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 10).

Defined contribution plans:

In 2010, the Company contributed and expensed $4,058 (2009 - $2,378) to the defined contribution tier, which amounts are not included in the recognized defined benefit costs above.

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

10. Credit facilities:

The Company has the following credit facilities:

	Interest rate	**Year of maturity**	**Authorized**	**Amount drawn at December 31, 2010**	Amount drawn at December 31, 2009
TMX Group Inc. non-revolving three year term facility	30 day B.A. + 45 bps	2011	$ 430,000	$ 430,000	$ 430,000
TMX Group Inc. revolving three year term facility	–	2011	50,000	–	–
MX operating line of credit	–	N/A	3,000	–	–
CDCC revolving standby credit facility	–	N/A	50,000	–	–
NGX letter of credit	–	N/A	USD 100,000	–	–
NGX overdraft facility	–	N/A	20,000	–	–
NGX EFT daylight facility	–	N/A	300,000	–	–
Total credit facilities				**$ 430,000**	$ 430,000

In connection with the acquisition of MX, the Company established a non-revolving three-year term credit facility of $430,000 and a revolving three-year credit facility of $50,000. The Company may draw on these facilities in Canadian dollars by way of prime rate loans and/or Bankers' Acceptances ("B.A.") or in USD by way of LIBOR loans and/or US base rate loans. On April 30, 2008, the Company drew $430,000, which becomes due for repayment on April 18, 2011, when the revolving three-year facility of $50,000 also expires. The Company is currently assessing its options with regards to the repayment and/or refinancing of the loan. As at December 31, 2010, the Company has prepaid $246 of financing fees, which leaves a net credit facility liability of $429,754. These financing fees will be amortized over the remaining term of the loan.

MX has an outstanding letter of credit for $720 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, 2010.

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

During 2010, the Company recognized interest expense on the facilities of $5,884 (2009 - $5,828) which included $738 (2009 - $738) of amortized financing fees.

11. Interest rate swaps:

Effective August 28, 2008, the Company entered into a series of interest rate swap agreements to partially manage its exposure to interest rate fluctuations on its $430,000 non-revolving three year term facility. The interest rate swaps in place during 2010 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, 2010	Fair value unrealized gain/(loss) at December 31, 2009
#2	$ 100,000	August 31, 2010	30 day B.A.	3.749%	**$ expired**	$ (2,117)
#3	100,000	April 18, 2011	30 day B.A.	3.829%	**(697)**	(3,584)
Total	**$ 200,000**				**$ (697)**	$ (5,701)

The Company marks to market the fair value of these interest rate swaps as an adjustment to income. During 2010, unrealized gains of $5,004 (2009 – unrealized gains of $6,776) and realized losses of $5,227 (2009 – realized losses of $8,190) have been reflected in net income. Both amounts have been included within mark to market on interest rate swaps.

12. Commitments and capital lease obligations:

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

(a) The rental of office space, under various long-term operating leases with remaining terms of up to eleven years, including certain asset retirement obligations with regards to these leases.

(b) The rental of computer hardware and software for terms of one to three years under operating leases.

(c) The rental of computer hardware and software for terms of one to three years under capital leases.

(d) Certain data licenses for remaining terms of up to 6 years.

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

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

Years ending December 31:	Capital lease obligations	Other non-capital commitments
2011	$ 3,516	$ 15,061
2012	2,878	11,911
2013	1,019	8,801
2014	–	7,771
2015	–	7,360
Thereafter	–	21,408
	$ 7,413	$ 72,312
Interest amount (at an average rate of 3.9%)	(288)	–
	7,125	–
Less: Obligation under capital leases – current	(3,326)	–
Obligation under capital leases – long-term	$ 3,799	–

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 $9,483 for 2011.

13. Other liabilities:

Other liabilities include amounts payable under the long-term incentive plan (note 18), amounts related to acquisitions made in previous years and asset retirement obligations.

14. 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.

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 ("OSC") and Quebec's Autorité des marchés financiers ("AMF").

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

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.

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**	
	2010	2009	**2010**	2009
Balance, beginning of the period	**74,307,041**	74,403,577	**$ 1,102,619**	$ 1,084,399
Issued (note 2)	–	878,059	–	32,052
Repurchased and cancelled	–	(1,000,000)	–	(14,575)
Options exercised	**63,421**	25,405	**1,512**	743
Balance, end of the period	**74,370,462**	74,307,041	**$ 1,104,131**	$ 1,102,619

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 behalf of the eligible employee, up to a maximum annual contribution of $3. Shareholder approval is not required for this plan or any amendments to the plan.

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

The Company accounts for its contributions as compensation expense when the amounts are contributed to the plan. Compensation expense related to this plan was $1,320 for the year ended December 31, 2010 (2009 - $1,324).

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.

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. 4,064,226 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 2010: dividend yield of 4.1% (2009 – 3.5%); expected volatility of 32.8% (2009 – 26.8%); risk-free interest rate of 3.5% (2009 – 4.0%) and expected life of 7 years (2009 – 7 years).

Options granted will expire in 2011, 2012, 2013, 2014, 2015, 2016, and 2017.

Share options granted in 2010 have a strike price of $29.52. Share options granted in 2009 have strike prices in the range of $31.59 to $34.24.

Share options:

	2010			2009		
	Number of share options		**Weighted average exercise price**	Number of share options		Weighted average exercise price
Outstanding, beginning of year	**1,382,569**	**$**	**35.53**	1,021,819	$	39.14
Granted	**457,782**		**29.52**	635,717		31.63
Forfeited	**(98,199)**		**40.24**	(249,562)		41.65
Exercised	**(63,421)**		**19.32**	(25,405)		22.58
Outstanding, end of year	**1,678,731**	**$**	**34.23**	1,382,569	$	35.53

At December 31, 2010, 720,715 options were fully vested and exercisable at strike prices in the range of $10.53 to $54.50. During 2010, the Company recognized compensation costs of $2,798 in relation to its share option plan (2009 - $2,909).

18. Interim bonus and long-term incentive plan:

Effective January 1, 2001, the Company introduced an interim bonus plan (in lieu of a long-term incentive plan) for certain employees or officers of the Company. The interim bonus plan provided a deferred award based on the annual financial performance of the Company. Amounts earned in 2001 were converted into deferred share units ("DSUs") for executive officers and restricted share units ("RSUs") 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 DSUs or RSUs based on the value of one common share of the Company on December 31, 2002.

The DSUs discussed above are fully vested, but can only be redeemed for cash payment upon termination of employment or retirement. The RSUs discussed above vested and were redeemed in cash by December 31, 2005.

In January 2004, the Board approved a long-term incentive plan ("LTIP") for certain employees or officers of the Company. The LTIP provides for the granting of RSUs, which vest over a maximum of three years and are payable provided the employee is still with the Company. The amount of the award payable at the end of the second year following the year in which the RSUs were granted will be determined by the total shareholder return over the 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.

In addition, to assist the Company's officers to meet their equity ownership requirements, the Company gives officers who have not met their ownership requirements the opportunity to convert all or part of their short-term incentive award into DSUs. These DSUs vest immediately.

The Company records its obligation under the LTIP, 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 LTIP (note 21). As at December 31, 2010, the total accrual for the Company's LTIP is $11,466 (December 31, 2009 - $6,303) and this is included in accounts payable and accrued liabilities and other liabilities. 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.

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

19. Earnings per share:

		2010		2009
Net income	$	**196,535**	$	104,701
Weighted average number of common shares outstanding		**74,331,877**		74,131,244
Basic earnings per share	$	**2.64**	$	1.41
Diluted weighted average number of common shares outstanding		**74,423,104**		74,255,480
Diluted earnings per share	$	**2.64**	$	1.41

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 31% (2009 – 33%) to pre-tax income from operations as a result of the following:

		2010		2009
Income before income taxes, and after non-controlling interests	$	**287,276**	$	201,653
Computed expected income tax expense	$	**89,055**	$	66,548
Rate differential due to various jurisdictions		**(2,685)**		(7,257)
Provincial tax holiday		**(3,512)**		(3,393)
Impairment charges and non-deductible expenses		**1,758**		22,176
Share of income from affiliate		**(401)**		(137)
Deferred revenue not affecting income tax expense		–		(380)
Impact of changes in substantively enacted income tax rates		–		10,356
Valuation allowance		**1,275**		8,605
Future tax rate adjustments on temporary differences		**6,695**		2,360
Other		**(1,444)**		(1,926)
	$	**90,741**	$	96,952

In recent years, the Company has benefited from tax measures announced by the ministère des Finances du Québec in 2001, which were intended to support the financial sector in the province of Québec, including, among others, exchanges and clearing houses such as MX and CDCC. These measures provided income tax exemption, capital tax exemption, and an exemption from employer contributions to the Health Services Fund relating to eligible activities performed by MX and CDCC. This provincial tax holiday was in place until December 31, 2010, and standard statutory rates will be applicable going forward.

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

The income tax provisions for the years ended December 31, 2010 and 2009 are as follows:

	2010	2009
Current income tax expense	**$ 99,734**	$ 93,410
Future income tax expense (benefit)	**(8,993)**	3,542
	$ 90,741	$ 96,952

The tax effects of temporary differences that give rise to significant portions of the future tax asset and liability at December 31, 2010 and 2009 are presented below:

	2010	2009
Non-capital loss carryforwards	**$ 8,726**	$ 8,438
Premises and equipment	**3,584**	2,003
Cumulative eligible capital/intangible assets	**(202,138)**	(199,468)
Total return swaps and interest rate swaps	**(1,060)**	1,834
Restructuring provision	**–**	185
Deferred listing revenue	**137,264**	128,384
Employee future benefits	**(2,274)**	(1,885)
Long term incentive plan	**5,883**	3,803
Other temporary differences	**2,267**	2,335
Valuation allowance	**(6,847)**	(9,218)
	$ (54,595)	$ (63,589)
Future tax assets:		
Current	**$ 29,651**	$ 26,675
Long-term	**152,500**	144,551
Future tax liabilities:		
Current	**(10)**	(118)
Long-term	**(236,736)**	(234,697)

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

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, 2010
Asset/(Liability)	Held for trading		Available-for-sale (carried at cost less impairment)	Loans and receivables/ (other financial liabilities)	Carrying amount	Fair value
	Classified	Designated				
Cash and cash equivalents	$ –	$ 68,797	$ –	$ –	$ 68,797	$ 68,797
Marketable securities	–	261,605	–	–	261,605	261,605
Restricted cash	–	1,105	–	–	1,105	1,105
Accounts receivable	–	–	–	85,201	85,201	85,201
Energy contracts receivable	–	–	–	754,933	754,933	754,933
Fair value of open energy contracts	141,894	–	–	–	141,894	141,894
Daily settlements and cash deposits	–	–	–	193,065	193,065	193,065
Investments in privately-owned companies	–	–	6,617	–	6,617	6,617
Accounts payable and accrued liabilities	–	–	–	(59,093)	(59,093)	(59,093)
Total return swaps	4,479	–	–	–	4,479	4,479
Interest rate swaps	(697)	–	–	–	(697)	(697)
Obligations under capital leases	–	–	–	(7,125)	(7,125)	(7,125)
Energy contracts payable	–	–	–	(754,933)	(754,933)	(754,933)
Fair value of open energy contracts	(141,894)	–	–	–	(141,894)	(141,894)
Daily settlements and cash deposits	–	–	–	(193,065)	(193,065)	(193,065)
Term loan payable, net	–	–	–	(429,754)	(429,754)	(428,880)

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

						December 31, 2009
Asset/(Liability)	Held for trading		Available-for-sale (carried at cost less impairment)	Loans and receivables/ (other financial liabilities)	Carrying amount	Fair value
	Classified	Designated				
Cash and cash equivalents	$ –	$ 87,978	$ –	$ –	$ 87,978	$ 87,978
Marketable securities	–	103,169	–	–	103,169	103,169
Restricted cash	–	911	–	–	911	911
Accounts receivable	–	–	–	79,427	79,427	79,427
Energy contracts receivable	–	–	–	714,545	714,545	714,545
Fair value of open energy contracts	202,760	–	–	–	202,760	202,760
Daily settlements and cash deposits	–	–	–	565,408	565,408	565,408
Investments in privately-owned companies	–	–	8,280	–	8,280	8,280
Accounts payable and accrued liabilities	–	–	–	(44,350)	(44,350)	(44,350)
Total return swaps	(533)	–	–	–	(533)	(533)
Interest rate swaps	(5,701)	–	–	–	(5,701)	(5,701)
Obligations under capital leases	–	–	–	(8,925)	(8,925)	(8,925)
Energy contracts payable	–	–	–	(714,545)	(714,545)	(714,545)
Fair value of open energy contracts	(202,760)	–	–	–	(202,760)	(202,760)
Daily settlements and cash deposits	–	–	–	(565,408)	(565,408)	(565,408)
Term loan payable, net	–	–	–	(429,016)	(429,016)	(427,025)

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

(b) Fair value measurement:

The Company uses a fair value hierarchy to categorize the inputs used in its valuation of assets and liabilities carried at fair value. The extent of the Company's use of unadjusted quoted market prices (Level 1), models using observable market information as inputs (Level 2) and models using unobservable market information (Level 3) in its valuation of assets and liabilities carried at fair value is as follows:

Asset/(Liability)								
								As at December 31, 2010
		Fair value measurements using:						**Assets/(liabilities)**
		Level 1		**Level 2**		**Level 3**		**at fair value**
Cash and cash equivalents	**$**	**68,797**	$	–	$	–	**$**	**68,797**
Marketable securities		**261,605**		–		–		**261,605**
Restricted cash		**1,105**		–		–		**1,105**
Fair value of open energy contracts		–		**141,894**		–		**141,894**
Total return swaps		–		**4,479**		–		**4,479**
Interest rate swaps		–		**(697)**		–		**(697)**
Fair value of open energy contracts		–		**(141,894)**		–		**(141,894)**

Asset/(Liability)								
								As at December 31, 2009
		Fair value measurements using:						**Assets/(liabilities)**
		Level 1		**Level 2**		**Level 3**		**at fair value**
Cash and cash equivalents	$	87,978	$	–	$	–	$	87,978
Marketable securities		73,308		29,861		–		103,169
Restricted cash		911		–		–		911
Fair value of open energy contracts		–		202,760		–		202,760
Total return swaps		–		(533)		–		(533)
Interest rate swaps		–		(5,701)		–		(5,701)
Fair value of open energy contracts		–		(202,760)		–		(202,760)

There were no significant transfers during the years between Levels 1 and 2.

(c) Marketable securities:

The investment portfolio includes pooled fund investments managed by an external investment fund manager. There is no contracted maturity date for the investments.

The Company has designated its marketable securities as held-for-trading. At December 31, 2010, these investments have been measured at fair value and unrealized losses of $635 have been reflected in net income in the consolidated financial statements for the year ended December 31, 2010 (2009 – unrealized losses of $153).

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

(d) 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 the non-performance element of RSUs and DSUs 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. Both amounts are reflected within Compensation and benefits in the income statement. 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, 2010:

	Remaining term to maturity (notional amount)			Fair value		
	Under 1 year	1 to 3 years	Total	Gain	Loss	Net
Equity contract #20	**$ –**	**$ 1,258**	**$ 1,258**	**$ 332**	**$ –**	**$ 332**
Equity contract #25	**–**	**820**	**820**	**250**	**–**	**250**
Equity contract #26	**5,161**	**–**	**5,161**	**1,642**	**–**	**1,642**
Equity contract #27	**540**	**–**	**540**	**220**	**–**	**220**
Equity contract #28	**3,411**	**–**	**3,411**	**1,264**	**–**	**1,264**
Equity contract #29	**2,079**	**–**	**2,079**	**771**	**–**	**771**
	$ 11,191	**$ 2,078**	**$ 13,269**	**$ 4,479**	**$ –**	**$ 4,479**

As at December 31, 2009:

	Remaining term to maturity (notional amount)			Fair value		
	Under 1 year	1 to 3 years	Total	Gain	Loss	Net
Equity contract #16	$ 407	$ –	$ 407	$ –	$ (28)	$ (28)
Equity contract #20	–	1,258	1,258	58	–	58
Equity contract #21	5,338	–	5,338	–	(574)	(574)
Equity contract #22	600	–	600	29	–	29
Equity contract #23	4,408	–	4,408	–	(12)	(12)
Equity contract #24	2,399	–	2,399	–	(6)	(6)
	$ 13,152	$ 1,258	$ 14,410	$ 87	$ (620)	$ (533)

Unrealized gains of $5,012 have been reflected in net income in the consolidated financial statements for the year ended December 31, 2010 (2009 – unrealized gains of $5,305).

(e) Interest rate swaps:

The Company 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 10 and 11). As at December 31, 2010, there was only one interest rate swap still in effect.

The Company marks to market the fair value of the interest rate swaps. Unrealized gains of $5,004 and realized losses of $5,227 have been reflected within net income, as Mark to market on interest rate swaps, for the year ended December 31, 2010 (2009 – unrealized gains of $6,776 and realized losses of $8,190).

(f) 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.

(g) CDCC daily settlements and cash deposits:

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

(h) Investments in privately-owned companies:

The Company holds certain equity investments in privately-owned companies. As these equity instruments are privately owned and do not have quoted market prices in active markets, these available-for-sale investments are carried at cost less any impairment losses. During 2010, the Company recognized an unrealized loss of $1,662 on its investments, a significant portion of which was an unrealized foreign exchange loss.

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, Shorcan Energy, NGX and CDCC.

(i) Investments in marketable securities

The Company manages its exposure to credit risk arising from investments in marketable securities by holding investment funds that actively manage credit risk. The investment policy of the Company will only allow excess cash to be invested within a specific money market fund and a specific short term bond and mortgage fund. The money market fund manages credit risk by limiting its investments to government or government-guaranteed treasury bills, and high-grade corporate notes. The short term bond and mortgage fund manages credit risk by limiting its investments to high-quality Canadian corporate bonds, government bonds and up to 40% of the fund's net assets in conventional first mortgages and mortgages guaranteed under the National Housing Act (Canada). Corporate bonds held must have a minimum credit rating of BBB by DBRS Limited at the time of purchase. 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.

(ii) Total return swaps and interest rate swaps

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

(iii) 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 institutions. The Company invoices its customers on a regular basis and maintains a collections team to monitor customer accounts and minimize the amount of overdue receivables. There is no concentration of credit risk arising from accounts receivable from a single customer. In addition, customers that fail to maintain their account in good standing risk loss of listing, trading or data privileges.

(iv) Clearing and/or brokerage operations

The Company is exposed to credit risk in the event that customers, in the case of Shorcan and Shorcan Energy, 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 and Shorcan Energy's risk is limited by their status as agents, in that they do not purchase or sell securities for their own account. As agents, in the event of a failed trade, Shorcan or Shorcan Energy have the right to withdraw their 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, 2010, NGX held cash collateral deposits of $835,739 (December 31, 2009 - $1,040,319) and letters of credit of $1,941,367 (December 31, 2009 - $1,963,685). 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.

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 its 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 Daily Capital Margin Monitoring ("DCMM") process that evaluates the financial strength of a Clearing Member against its margin requirements. Every day, CDCC monitors the margin requirements of a Clearing Member as a percentage of its capital (net allowable assets). CDCC will make additional margin calls when the ratio of margin requirement/net allowable assets exceeds 100%. The additional margin requirement is equal to the excess of the ratio over 100%.

CDCC also maintains a clearing fund of 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 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, 2010, CDCC held margin deposits of $2,911,169 (December 31, 2009 - $3,101,757), and clearing fund deposits of $264,087 (December 31, 2009 – $205,055), held primarily in government and equity securities. These amounts are not included in the Company's consolidated balance sheet.

(v) Facilities and guarantees

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

In response to both the credit and liquidity risks that CDCC is exposed to through its clearing operations, CDCC has arranged a total of $50,000 in revolving standby credit facilities with a Canadian Schedule 1 bank to provide liquidity in the event of default by a Clearing Member. Borrowings under the facilities, which are required to be collateralized, bear interest based on the bank's prime rate plus 0.75%.

Neither facility has been drawn upon at December 31, 2010.

(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 USD. In 2010, the Company recognized USD denominated revenue of approximately USD 105,000, including BOX, less various USD expenses (2009 – USD 110,000). The approximate impact of a 10% rise and a 10% decline in the Canadian dollar ("CAD") compared to the USD on these transactions as at December 31, 2010 is a $5,300 decrease or increase in net income respectively. At December 31, 2010, cash and cash equivalents and accounts receivable, excluding BOX, and current liabilities, excluding BOX, include USD 13,379 (December 31, 2009 – USD 11,920), and USD 755 (December 31, 2009 – USD 598) respectively, which are exposed to changes in the USD – CAD exchange rate. The approximate impact of a 10% rise and a 10% decline in the CAD compared to the USD on these exposed balances at December 31, 2010 is a $1,256 decrease or increase in net income respectively. In addition, net assets related to BOX are denominated in USD, 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 and a 10% decline in the CAD compared to the USD on the translation of the net assets related to BOX at December 31, 2010 is a $5,213 decrease or increase in other comprehensive income respectively.

(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, 2010 the Company held $261,605 in these funds (December 31, 2009 - $103,169). The approximate impact on the carrying value of these investments of a 1% rise and a 1% fall in interest rates is ($2,796) and $2,796 respectively.

The Company has a non-revolving term loan payable of $430,000 (note 10). The Company entered into a series of interest rate swap agreements to partially manage its exposure to interest rate fluctuations on the loan (note 11). At December 31, 2010, the fair value of the remaining interest rate swap was a liability of $697. The approximate impact of a 1% rise or fall in interest rates on the fair value of the remaining swap is approximately a $300 decrease or increase in the liability respectively. The approximate impact on net income of a 1% rise and a 1% fall in interest rates with respect to the loan to expiry is a decrease of $(1,250) and an increase of $1,250 respectively.

(iii) Equity price risk

The Company is exposed to equity price risk arising from its RSU and DSU plans, as the Company's obligation under the plans 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 RSUs and DSUs 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 reporting period compared with the Company's share price at the date of entering into the TRSs. As at December 31, 2010, a 25% increase in the share price of the Company would result in a net $2,816 decrease in net income. A 25% decrease in the share price of the Company would result in a net $3,681 increase in net income.

(iv) Other market price risk

The Company is exposed to other market price risk from the activities of Shorcan, Shorcan Energy, 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 and Shorcan Energy's risk is limited by their status as an agent, in that they do not purchase or sell securities or commodities for their 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, and the amount paid to acquire, the securities or commodities.

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 become due. The Company manages liquidity risk through the management of its Cash and Marketable securities, all of which are held in short term instruments, and its credit facilities (note 10) and capital (note 23).

23. Capital maintenance:

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 OSC to maintain certain financial 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 Exchange Inc., 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 AMF to maintain certain financial ratios as defined in the AMF recognition order, as follows:

(i) a working capital ratio of more 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 10) 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. 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.

25. Contingent liabilities:

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.

26. Comparative figures:

Certain comparative figures have been reclassified to conform to the financial presentation adopted in the current period. In particular, commencing in 2010, provisions for doubtful accounts receivable are included in General and administration expenses whereas, in 2009, these provisions were reflected as a reduction in various sources of revenue. The comparative figures for both revenue and expenses in 2009 have been reclassified to conform with the financial presentation adopted in 2010.

27. Subsequent event:

The Company announced on February 9, 2011 an agreement to combine its operations with London Stock Exchange Group plc ("LSEG") in an all-share merger of equals. The merger is being unanimously recommended by the Board of Directors of TMX Group Inc.("TMX") and the Board of Directors of LSEG. The merger will be implemented by means of a Canadian plan of arrangement under which TMX shareholders will receive 2.9963 LSEG shares for each TMX share they hold. TMX shareholders that are residents of Canada for tax purposes will be entitled to elect to receive exchangeable shares (each an "Exchangeable") in a Canadian subsidiary of LSEG for each TMX share that they hold. TMX shareholders electing to receive Exchangeables will receive the same number of Exchangeables as the number of new ordinary LSEG shares to which they would otherwise have been entitled to receive under the terms of the merger. On an ongoing basis, each Exchangeable will carry the right to be exchanged for one LSEG share and will carry mirror-image economic rights to an LSEG share (together with certain ancillary rights). In addition, each Exchangeable will permit the holder to vote one LSEG share at any shareholder meeting of LSEG. The Exchangeables allow Canadian resident TMX shareholders to participate in the transaction on a tax-deferred basis, provided they file a valid tax election. The Exchangeables will also allow Canadian resident TMX shareholders to receive dividends from a Canadian corporation, which are generally subject to more favourable tax treatment than dividends from a non-Canadian corporation. TMX shareholders will therefore own 45% and LSEG shareholders will own 55% of the combined TMX-LSEG group ("Merged Group"). The shares of the Merged Group will be listed on Toronto Stock Exchange, trading in Canadian Dollars and London Stock Exchange, trading in Sterling. The Exchangeables will also be listed on Toronto Stock Exchange, trading in Canadian Dollars.

Completion of the merger is subject to customary regulatory and other approvals as well as certain other conditions. The following provides an overview of certain approvals and conditions that must be met:

a) Approval by at least 66 ⅔% of the votes cast by shareholders of TMX at a special meeting of TMX shareholders;

b) Approval by a majority of votes cast by LSEG shareholders at a general meeting of LSEG shareholders;

c) Ontario court approval of the Plan of Arrangement;

d) Certain regulatory approvals, including under the Investment Canada Act, Competition Act (Canada), as well as from the Ontario Securities Commission, Autorité des marchés financiers (Québec), Alberta Securities Commission, British Columbia Securities Commission, U.S. Securities and Exchange Commission, Financial Services Authority (UK), Bank of Italy and Commissione Nazionale per le Società e la Borsa; and

e) Listing of the LSEG shares and the Exchangeables on Toronto Stock Exchange and listing of the LSEG shares issuable pursuant to the Plan of Arrangement on the London Stock Exchange.

The merger agreement, which provides for a long-stop date of November 9, 2011 (with up to a 30-day extension in certain circumstances), contains customary provisions for a transaction of this nature, including customary representations and warranties, covenants, undertakings and conditions. In the merger agreement, each of TMX and LSEG have agreed not to solicit other offers. The merger agreement provides that the Boards of Directors of each of TMX and LSEG may, under certain circumstances, terminate the agreement in favour of an unsolicited superior proposal, subject to a payment of a termination fee of 1% of the market capitalization of the LSEG at the time of entering into the agreement, and subject to a right by each party to match the superior proposal in question.

It is anticipated that the relevant shareholders' meetings will take place in the second quarter of 2011 and court approval will be sought within three business days of TMX's shareholders approving the merger. Subject to obtaining shareholder, court and regulatory approvals, the merger is expected to become effective in the third quarter of 2011.