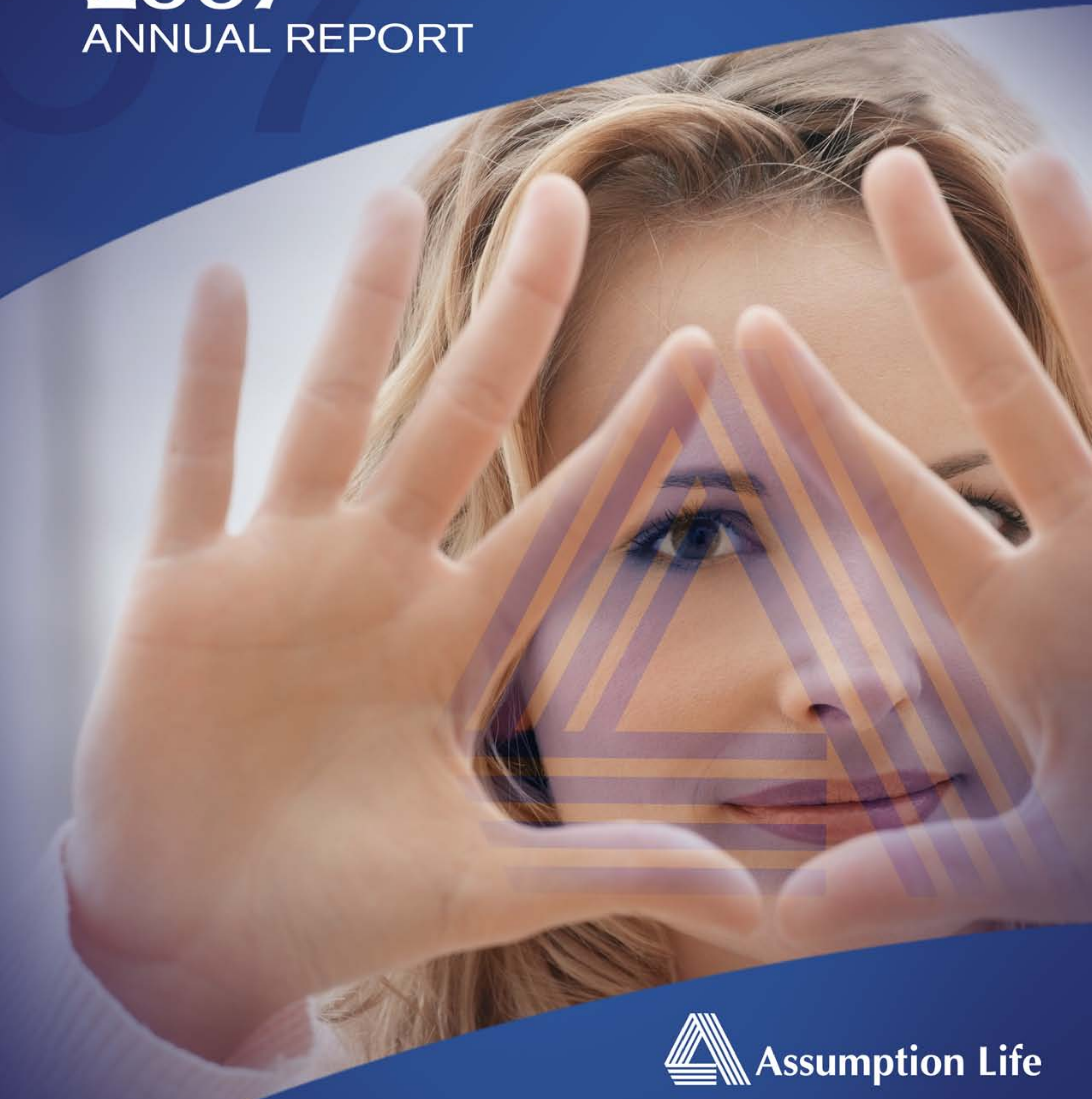
2007
ANNUAL REPORT



Assumption Life

LIVE WITH CONFIDENCE.

Board of Directors

Philippe DesRosiers*
Chairman of the Board
Assumption Life

Georges Marcoux
Vice Chairman of the Board

Denis Losier
President and CEO
Assumption Life

Yves Arseneau* CA
Partner
Allen, Paquet & Arseneau LLP

Louis Benoit* CGA, CA
Managing Partner
Losier Doiron Benoit McGraw

Denis Larocque* CA
Chief Financial Officer
Major Drilling Group International Inc.

Gilles LeBlanc
President
Assurance Goguen Champlain Insurance

Gerald L. Pond*
Chairman and CEO
Mariner Partners Inc.

Maureen E. Reid
President
BoardWorks Consulting

Allister Surette
Vice President – Development and Partnerships
Université Sainte-Anne

* Member of the Audit Committee

Message from the Chairman of the Board

The year 2007 has demonstrated once again the extent to which Assumption Life has mastered its capacity to adapt and adjust quickly and astutely to the changes and events affecting the financial services industry and the economy in general. The challenges in 2007 were many, including a significant drop in the stock markets, a dramatic rise of the Canadian dollar, major changes in accounting standards and, of course, the infamous commercial paper crisis, which rocked the United States and whose effects were felt in the investment portfolios of many Canadian companies.

With its prudential management, sound vision, strong roots and ongoing focus on its clients and the communities in which it does business, Assumption Life operates on a solid, stable foundation that has enabled it to grow at a steady pace where others may stumble. The values that have guided our company for more than a century help us stand out among our competitors and attract the attention of clients and distributors across Canada. We are often seen as a breath of fresh air in a world where anonymity, indifference and depersonalization are far too often the norm.

Guided by a very strong sense of ethics, our managers adopt practices focused on the best interests of our clients. Our reputation in this regard is our strength both in our conventional markets and in the new markets that we are developing.

I would like to extend my sincerest congratulations and thanks to Management and the Board of Directors. They have navigated smoothly through waters that have at times been rough, steering clear of reefs and finding favourable currents. As a result of their sound decisions, the Company has exceeded its sales targets in all of its business lines and grown its volume of business in force. The Company continues to increase in value to consolidate its position as an economic leader in the Atlantic Provinces.

Philippe DesRosiers,
Chairman of the Board

Message from the
President and Chief Executive Officer

Assumption Life shows solid results for 2007, breaking records in three lines of business and maintaining its overall financial stability. We garnered a competitive edge through teamwork, innovation in product and computer technology development, which also helped us cater to clients' needs.

The year 2007 is marked by Assumption Life's ability to thrive despite aggressive and volatile markets. Offering a host of opportunities as well as challenges, growth appears predominantly in our brokerage distribution network. Furthermore, Assumption Life added AGF, one of Canada's premier asset management companies, to our list of fund managers, and garnished our portfolio with 12 new investment funds. To cope with our evolving environment and boost performance, many internal procedures were revised, and I applaud the initiative of employees willing to question our methods.

Net income and our solvency ratio are maintained at or above target levels. Net income for 2007 reached $4 million, despite massive investments in new technologies and the steep rise of the Canadian dollar. Total policyholder equity climbed to $77.9 million, up 10.6% over 2006. Assets under management reached 1 billion dollars, the highest in the company's history! Meanwhile, our solvency ratio registered at 253%, far above the minimum requirement established by the Office of the Superintendent of Financial Institutions of Canada. Managing assets of 1.4 billion dollars, Louisbourg Investments showed profits of $950,000, thereby surpassing its objectives by $175,000.

Our sales results are equally outstanding, with total life insurance sales reaching a record high of $4 million, an 8.5% increase over 2006. Particularly noteworthy is the growing number of policies sold online, which proves that our online product strategy is working well and that our investment in new technology is worthwhile. In spite of an aggressive market, group insurance sales far exceeded our objectives and reached $7.4 million, a 40.7% increase over 2006. These results are partly due to market and pricing strategies, to our online quote system—still the only one of its kind in the industry—and to our new Best Doctors service. Volatility in the financial markets did not curb our financial product sales, which rose to 59 million dollars, 24.3% more than had been projected.

Assumption Life's financial performance in 2007 demonstrates a sustained stability in revenues and profits. Our sound financial management and our innovation continue to be recognized. A.M. Best conferred us an A- (excellent) rating for a ninth consecutive year. Our investments in new technologies did not go unnoticed, as Celent, a research firm focusing on the application of information technology in the global financial services industry, granted recognition for the straight-through process of our online products.

In closing, I would like to mention the departure of Mr. Louis Benoit, member of the Board of Directors since 1999. I sincerely thank him for the sound advice he provided and the time and energy he invested in Assumption Life.

Insofar as fostering growth remains the goal of Assumption Life, success now lies in embracing our new reality as a rapidly expanding company. We developed our strategic planning accordingly, devoting efforts to maintaining our technological performance and reducing unit costs. Indeed, Assumption Life will continue to provide personalized and accessible customer service to increasingly sophisticated and informed consumers and establish itself as an industry leader in that area.

Denis Losier,
President and Chief Executive Officer

Community
Involvement 2007

Investing to make a difference around us

Assumption Life contributes to numerous causes through the exemplary commitment of its employees and representatives, through its financial support, donations, sponsorships and its Foundation.

In 2007, over $200,000 was remitted to organizations across Canada. Another $125,000 was raised thanks to our summer activities, which include the Bobby Orr Benefit Golf Tournament, the Pokemouche Golf Tournament, the Assumption Life Run in Dieppe and the Edmundston Bike Ride.

Investing in health...

The Company favours education and health through sponsorships and donations. For many years, Assumption Life has supported breast cancer research led by the Atlantic Cancer Research Institute. It fosters the hope of triumphing over breast cancer, this terrible disease that touches us all, directly or indirectly.

Assumption Life also promotes physical activity for youth in school. We sincerely believe that physical activity not only keeps our children healthy, but increases their self esteem and their well-being while contributing to academic achievement. We have started two pilot projects, one at the Hillcrest School in Moncton and the other at the Place-des-Jeunes School in Bathurst (see photos).

and in education...

Assumption Life has remained faithful to its founders' principles, by contributing to education. The Assumption Foundation awarded $34,000 in scholarships in 2007. Over the years, more than $4,000,000 has been distributed in scholarships and in donations to academic institutions such as the Université Sainte-Anne, the Université de Moncton and New Brunswick community colleges.

AUDITORS' REPORT TO THE POLICYHOLDERS

We have audited the consolidated balance sheet of **Assumption Mutual Life Insurance Company** as at **December 31, 2007**, and the consolidated statements of income, comprehensive income, surplus and accumulated other comprehensive income and cash flows, as well as the consolidated statements of segregated funds for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

LeBlanc Nadeau Bujold

Chartered Accountants

Dieppe, New Brunswick
February 11, 2008

VALUATION ACTUARY'S REPORT

To the policyholders of Assumption Mutual Life Insurance Company:

I have valued the policy liabilities of **Assumption Mutual Life Insurance Company** for its consolidated balance sheet as at **December 31, 2007**, and their change in the consolidated statement of income for the year then ended in accordance with accepted actuarial practices, including the selection of appropriate assumptions and methods.

In my opinion, the amount of policy liabilities makes appropriate provision for all policyholder obligations and the consolidated financial statements fairly present the results of the valuation.

Luc Farmer
Fellow, Canadian Institute of Actuaries

Moncton, New Brunswick
February 11, 2008

CONSOLIDATED BALANCE SHEET
(in thousands of dollars)

	Notes	As at December 31 2007 $	2006 $
ASSETS			
Marketable securities	4	364,440	285,954
Mortgages	5	117,781	125,505
Real estate	6	32,203	31,201
Loans to policyholders		5,758	5,400
Cash and term deposits		25,684	14,200
Accrued investment income		2,624	2,810
Capital assets	7	10,639	9,258
Other assets	8	14,128	14,188
		573,257	488,516
LIABILITIES			
Policy liabilities:			
Actuarial liabilities	9	437,698	358,812
Benefits payable and other provisions		4,511	3,790
Insureds' deposits		19,640	18,015
Long-term debt	10	11,224	11,767
Deferred gains and losses	12	---	7,398
Future income taxes	13	9,336	6,796
Other liabilities	14	12,934	11,504
		495,343	418,082
POLICYHOLDERS' EQUITY			
Surplus		75,199	69,087
Accumulated other comprehensive income	15	2,715	1,347
		77,914	70,434
		573,257	488,516
ASSETS UNDER MANAGEMENT		459,477	441,443

SIGNED ON BEHALF OF THE BOARD,

_______________________ Chairman

_______________________ President and Chief Executive Officer

CONSOLIDATED STATEMENT OF INCOME
(in thousands of dollars)

	Notes	Year Ended December 31 2007 $	2006 $
REVENUE			
Insurance premiums		48,243	44,723
Annuity and pension premiums		28,266	29,903
Investment income	19	25,029	30,398
Other		4,213	4,283
		105,751	109,307
EXPENSES			
Insurance benefits		29,664	29,161
Annuity and pension benefits		37,462	36,410
Increase in actuarial liabilities		392	8,157
Other policyholders' benefits		1,690	917
Administration		20,393	18,068
Commissions		6,693	6,101
Interest on long-term debt		631	602
Other		1,561	1,432
		98,486	100,848
OPERATING INCOME BEFORE DIVIDENDS AND TAXES		7,265	8,459
Dividends		753	716
INCOME BEFORE TAXES		6,512	7,743
Current income taxes	13	580	1,659
Future income taxes	13	1,921	1,180
		2,501	2,839
INCOME BEFORE DISCONTINUED OPERATIONS		4,011	4,904
Discontinued operations		---	197
NET INCOME FOR THE YEAR		4,011	5,101

CONSOLIDATED COMPREHENSIVE INCOME
(in thousands of dollars)

	Year Ended December 31 2007 $	2006 $
NET INCOME	4,011	5,101
Other comprehensive income:		
Unrealized losses on available-for-sale securities, net of income taxes of $7	(13)	---
Change in tax rates	170	---
Total other comprehensive income	157	---
TOTAL COMPREHENSIVE INCOME	4,168	5,101

CONSOLIDATED STATEMENT OF SURPLUS AND OTHER COMPREHENSIVE INCOME
(in thousands of dollars)

	Notes	Year Ended December 2007 $	2006 $
SURPLUS			
Surplus beginning of year		69,087	65,333
Changes in accounting policies	3	2,101	(1,347)
Net income for the year		4,011	5,101
SURPLUS END OF YEAR		75,199	69,087

	Notes	Year Ended December 31 2007 $	2006 $
ACCUMULATED OTHER COMPREHENSIVE INCOME			
Accumulated beginning of year		1,347	---
Changes in accounting policies	3	1,212	1,347
Unrealized losses on available-for-sale securities, net of income taxes of $7		(13)	---
Realized gains on available-for-sale securities net of income taxes of $0		(1)	---
Changes in tax rates		170	---
ACCUMULATED OTHER COMPREHENSIVE INCOME END OF YEAR		2,715	1,347

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of dollars)

	NOTES	Year Ended December 31 2007 $	2006 $
OPERATING			
Income before discontinued operations for the year		4,011	4,904
Items not affecting cash:			
Increase in actuarial liabilities		392	8,157
Amortization of capital assets		1,110	1,349
Amortization related to investment income	14	---	(954)
Unrealized gains on held-for-trading securities		(2,929)	---
Other		2,122	(8,668)
		4,706	4,788
Change in non-cash working capital items related to operations		1,649	649
Cash flows from operating activities		6,355	5,437
FINANCING			
Increase in long-term debt		---	2,150
Repayment of long-term debt		(543)	(496)
Cash flows from financing activities		(543)	1,654
INVESTING			
Marketable securities, mortgages and real estate:			
Sales, maturities and reimbursements		47,081	37,464
Purchases and loans		(40,985)	(43,725)
Acquisition of capital assets		(2,491)	(4,483)
Other		2,067	1,172
Cash flows from investing activities		5,672	(9,572)
OTHER			
Cash flows relating to discontinued operations		---	3,112
INCREASE IN CASH AND TERM DEPOSITS DURING THE YEAR		11,484	631
CASH AND TERM DEPOSITS - BEGINNING OF YEAR		14,200	13,569
CASH AND TERM DEPOSITS - END OF YEAR		25,684	14,200

CONSOLIDATED STATEMENT OF SEGREGATED FUNDS
(in thousands of dollars)

	Year Ended December 31 2007 $	2006 $
NET ASSETS		
Investments:		
Bonds	106,539	128,560
Stocks	37,008	40,387
Pooled funds	290,467	252,361
Mortgages	17,045	7,090
Cash and term deposits	7,546	12,135
Accrued investment income	1,153	1,480
Other	1,536	208
	461,294	442,221
Liabilities	1,817	778
NET ASSETS	459,477	441,443

	Year Ended December 31 2007 $	2006 $
CHANGE IN NET ASSETS		
NET ASSETS—BEGINNING OF YEAR	441,443	384,876
Net contributions:		
Contributions	64,157	57,352
Withdrawals	(54,364)	(39,594)
	9,793	17,758
Investment income:		
Change in value of investments	(12,064)	21,981
Interest and dividends	22,615	21,529
Realized gains	2,438	(659)
	12,989	42,851
Management and administrative fees	(4,748)	(4,042)
NET ASSETS—END OF YEAR	459,477	441,443

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of dollars) Year Ended December 31, 2007

1. INCORPORATION

Assumption Mutual Life Insurance Company, known as **Assumption Life**, was incorporated under a private law of the Province of New Brunswick's Legislative Assembly.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the *Insurance Act of the Province of New Brunswick* and the Company's incorporating act. This act states that, except as otherwise specified by the Superintendent of Insurance of New Brunswick, the financial statements are to be prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies used in the preparation of these financial statements, including the accounting requirements of the Superintendent of Insurance of New Brunswick, are described below. These accounting policies conform, in all material respects, to Canadian generally accepted accounting principles.

Consolidation
These consolidated financial statements include the accounts of the Company and its subsidiaries:
- **Assumption Place Limited**
- **Atlantic Holdings (1987) Limited,** the parent company of **Louisbourg Investments Inc.**

These statements do not include the accounts of Assumption Mutual Life Foundation Inc.

Use of Estimates
Preparing financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the carrying value of recorded assets and liabilities and disclosure of contingent assets and liabilities as of the balance sheet date, as well as the reported amounts of revenue and expenses. Actual results could differ from those estimates.

Revenue Recognition
Gross premiums related to all types of insurance contracts are recorded as revenue when they become due. When premiums are recognized, the related actuarial liabilities are computed, resulting in benefits and expenses being matched with such revenue. Investment income is recognized on an accrual basis and is presented net of investment expenses. Other revenues are recognized on an accrual basis.

Classification and Recognition of Financial Assets and Liabilities
Beginning January 1, 2007, all financial assets, when initially recognized, must be classified as either held-for-trading, available-for-sale, held-to-maturity, or as loans and receivables, based on the features of the instrument and purposes for which the assets have been acquired. Financial liabilities must be classified as held-for-trading or as other liabilities.

Financial instruments classified as held-for-trading (HFT) are measured at fair value, and any change in fair value is recorded in net income in the period in which it arises.

Financial instruments classified as available-for-sale (AFS) are measured at fair value, and any unrealized gains or losses are recognized in other comprehensive income.

Financial assets held-to-maturity (HTM), loans and receivables, and financial liabilities classified as other liabilities are carried at amortized cost using the effective interest method. Interest or dividends arising from these financial instruments are recognized as investment income for the period.

Marketable Securities
Assumption Life has designated as held-for-trading its bonds and investment funds backing actuarial liabilities. Actuarial liabilities are established in accordance with the Canadian asset liability method (CALM), in which the book value of the assets backing the liabilities is used in a base computation. Consequently, any variation in fair value of these assets is taken into consideration in computing actuarial liabilities.

Assumption Life has designated as available-for-sale its bonds and investment funds not backing actuarial liabilities. Variation in fair value is consequently presented as comprehensive income, thus eliminating volatility in net income.

Mortgages
Mortgages are classified as loans and receivables, and are carried at the balance receivable, net of provisions for contingent losses. Provisions for losses on loans in arrears and in the process of being liquidated are immediately charged to income. They are measured by discounting the expected future cash flows using current rates of interest.

Impaired Portfolio Investments
Management follows a policy of classifying its fixed term investment portfolio, consisting of bonds, mortgage pools and mortgages, as impaired when, in its opinion, there is reasonable doubt as to the ultimate collectibility of a portion of principal or interest. Interest is not recognized on impaired investments. Impaired investments are restored to an accrual basis only when principal and interest payments are current and there is no longer any reasonable doubt regarding collectibility.

Real Estate
Real estate includes own-use properties and is carried at moving average market value whereby the carrying value is adjusted towards market value at 3% quarterly. Realized gains and losses on the sale of investments are deferred and amortized at a rate of 3% quarterly on the declining balance method. The market value of each property is established at least every three years by a qualified appraiser. The market value established is an estimate of the net realizable value of each property and thus recognizes any element of amortization. No provision for amortization is therefore recorded in income.

If the market value of the real estate portfolio is below the carrying value for a period of three consecutive years, the Company presumes that the decline in value is other than temporary. This presumption can only be rebutted by persuasive evidence to the contrary. When a decline in market value of the real estate portfolio is considered other than temporary, the write-down is immediately charged to income.

Cash and Term Deposits
Cash and term deposits are classified as held-for-trading and include deposits in bank and short-term notes with a maturity of three months or less from the date of acquisition.

Other Assets
Loans to policyholders, accounts receivable, premiums receivable, and other financial assets included in other assets are classified as held-for-trading.

Capital Assets
Capital assets are recorded at cost and amortized over their useful lives using the straight-line method over periods of 3 to 10 years.

Actuarial Liabilities
Actuarial liabilities regarding insurance and annuity contracts are established in accordance with the Canadian balance sheet method. They represent the amount required to satisfy the payment of the Company's future commitments towards policyholders. The valuation actuary of these liabilities computes this amount in accordance with the assumptions that he considers appropriate for the policies in force.

Taxes
The Company provides for income taxes using the liability method of tax allocation. The income tax provision is comprised of current and future income taxes. Current income taxes are based on taxable income. Future income taxes reflect the net tax effect of temporary differences between assets and liabilities reported for financial statement purposes and those reported for income tax purposes.

In addition to statutory income taxes, charges to operations include investment income tax, the large corporations' tax and the tax on capital imposed on financial institutions.

Other Liabilities
All financial liabilities are classified as other liabilities.

Foreign Currency Translation
Monetary assets and liabilities in foreign currencies are converted at the rate of exchange in effect at the balance sheet date. Non-monetary assets and liabilities, as well as revenue and expenses, are converted at the historical rate. Revenue and expenses are converted at the average monthly rate of exchange.

Translation gains and losses and realized gains and losses are included in other revenue for the period.

Actual and Future Costs in Connection with the Operations of the Canadian Life and Health Insurance Compensation Corporation
As a member of Assuris, the Company incurs and will likely incur in the future certain costs in connection with the operations of Assuris. Assuris is responsible for compensating policyholders in the event that a life insurer's operations must be liquidated.

Assuris annually assesses life insurers on the basis of a five-year average of annual premiums and the assessments are charged to income in the year they are incurred. The Company has agreed to provide Assuris with a credit facility which can be drawn upon, at Assuris' option, should the need arise.

Segregated Funds
Investments of the segregated funds are recorded at market value. Realized and unrealized gains and losses are immediately included in investment income.

Employee Benefit Plans
The Company and its subsidiaries offer to their employees and agents defined benefit pension plans based on final earnings. Employer and employee contributions to these plans are included in the assets of the Company, either in the assets of the consolidated balance sheet or in the net assets of consolidated statements of segregated funds for the benefit of participants. The annual pension cost includes actuarial expenses for current services, the amortization of actuarial adjustments for past services and the amortization of actuarial gains and losses.

The Company accrues its obligations under employee benefit plans and the related costs, net of plan assets.

The Company has adopted the following policies:

> The cost of pensions and other retirement benefits including dental, health and group life insurance earned by employees is actuarially determined using the projected benefit method pro rated on service, using management's best estimate of expected plan investment performance, salary escalation, retirement age of employees and expected health care costs.

For the purpose of calculating the expected return on plan assets, those assets are valued at market value.

The excess of the net actuarial loss or gain over 10% of the greater of the benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees. The average remaining service periods of the active employees covered by the three pension plans are 22, 18 and 11 years. The average remaining service periods of the active employees covered by the other retirement benefit plans are the same as the pension plans.

Actuarial assumptions utilized to determine benefits obligation under the defined benefit plans

	Year Ended December 31	
	2007	**2006**
	%	**%**
Discount rate	5.25	5.25
Expected long-term rate of return on plan assets	6.50 to 7.00	6.50 to 7.00
Rate of compensation increase	3.00	3.00

For measurement purposes, it was assumed that the cost of health care benefits would increase at an annual rate of 15%.

Future Changes to Accounting Policies

Financial Instruments

Beginning January 1, 2008, Assumption Life will have to comply with the requirements of *CICA Handbook* Sections 3862*, Financial Instruments—Disclosures,* and 3863*, Financial Instruments—Presentation*, which will replace existing Section 3861, *Financial Instruments—Disclosure and Presentation*. Management has determined that adoption of these new standards will require additional disclosures regarding the nature and extent of risks arising from financial instruments and the way in which the Company manages these risks.

Capital Disclosures

Beginning January 1, 2008, Assumption Life will have to comply with Section 1535*, Capital Disclosures*, which requires an entity to make additional disclosures regarding its capital. Adoption of this new standard should not have any effect on the amounts recorded in the financial statements of the Company, as it pertains primarily to disclosures.

Intangible Assets

Beginning January 1, 2009, Assumption Life will have to comply with Section 3064, *Goodwill and Intangible Assets.* This new standard gives additional information regarding the recognition, measurement, presentation and disclosure of goodwill and intangible assets. Management has not yet assessed the impact that this new standard will have on the financial statements.

3. CHANGES IN ACCOUNTING POLICIES

On January 1, 2007, Assumption Life adopted Sections 3855*, Financial Instruments Recognition and Measurement,* 1530*, Comprehensive Income,* and 3251*, Equity of the Canadian Institute of Chartered Accountants (CICA) Handbook.* These standards contain recommendations for the recognition and measurement of financial assets and liabilities, non-financial derivatives, and their presentation.

Adoption of these new standards has brought changes in the recognition of financial instruments and led to certain transitional adjustments recorded in the opening surplus, or in other comprehensive income at the beginning of the period. The comparative consolidated financial statements have been partially restated.

In addition to adopting CICA standards, Assumption Life has adopted Guideline D-10 of the Office of the Superintendent of Financial Institutions Canada (OSFI), entitled *Accounting for Financial Instruments Designated as Fair Value Option,* which contains additional recommendations for certain federally regulated financial institutions including personal insurance companies.

These new standards have primarily affected the way that Assumption Life recognizes marketable securities, and results at January 1, 2007—the transition date— have been adjusted to reflect these changes as described below.

Held-for-Trading

At the transition date, marketable securities with a book value of *$235.5M* and a fair value of *$308.7M* were classified as held-for-trading. The classification resulted in a *$73.2M* increase in marketable securities as at January 1, 2007.

Available-for-Sale

At the transition date, marketable securities with a book value of *$50.5M* and a fair value of *$52.4M* were classified as available-for-sale. The classification resulted in a *$1.8M* increase in marketable securities as at January 1, 2007.

Liabilities

Adoption of the accounting standards for financial instruments resulted in the elimination of *$7.5M* in deferred gains and losses as at January 1, 2007. In addition, market value adjustments relating to the classification of marketable securities as held-for-trading and the elimination of deferred gains and losses had an impact on actuarial liabilities, due primarily to the revaluation of financial assets backing these liabilities. Thus actuarial liabilities have been increased by *$78.5M*.

Taxes

The opening balance sheet contains a future tax liability of $778 for changes in accounting policies, of which $145 is for financial instruments held-for-trading and $633 for financial instruments available-for-sale. These taxes were computed using rates in effect at the beginning of the year.

Appraisal increase credit

As required by Section 1530*, Comprehensive Income,* the appraisal increase credit of $1,594 relating to real estate, net of taxes of $247, has been reclassified to other comprehensive income, and comparative figures have been restated accordingly.

The following table summarizes adjustments made as a result of adoption of the new standards at January 1, 2007.

Impact of new accounting standards on the balance sheet

		Impact of the new accounting standards			
	Balance sheet as at Dec. 31, 2006	**Assets/liabilities HFT and deferred gains**	**Assets/liabilities AFS**	**Appraisal increase credit**	**Balance sheet as at Jan. 1, 2007**
Assets	488,516	73,203	1,845	---	563,564
Liabilities	418,082	71,102	633	---	489,817
Surplus	70,434	2,101	---	(1,347)	71,188
Accumulated other comprehensive income	---	---	1,212	1,347	2,559
Liabilities, surplus and accumulated total	488,516	73,203	1,845	---	563,564

4. MARKETABLE SECURITIES

	Year Ended December 31				
	2007			2006	
	HFT $	AFS $	Total $	Carrying Value $	Market Value $
Bonds	299,004	42,315	341,319	265,161	339,878
Investment funds	19,019	4,102	23,121	20,793	21,163
	318,023	46,417	364,440	285,954	361,041

Ninety-eight percent (98% in 2006) of the bond portfolio is comprised of bonds with an A rating or better. Government bonds represent 91% (89% in 2006) of the bond portfolio.

5. MORTGAGES

	Year Ended December 31			
	2007			2006
	Recorded Investment $	Allowance for Impairment $	Carrying Value $	Carrying Value $
Mortgages:				
Non impaired				
Commercial	65,115	---	65,115	67,975
Residential	51,900	---	51,900	56,064
Impaired				
Commercial	1,566	800	766	1,466
Residential	---	---	---	---
	118,581	800	117,781	125,505

Investment income includes a provision of $700 for loan impairment (reduction of $25 in 2006).

Eleven percent (11% in 2006) of the mortgage loan portfolio is insured while 1.4% (1.3% in 2006) of the portfolio is in arrears by 90 days or more.

6. REAL ESTATE

	Year Ended December 31			
	2007		2006	
	Carrying Value $	Market Value $	Carrying Value $	Market Value $
Real estate	32,203	35,388	31,201	31,891

The most recent real estate evaluation is dated December 31, 2007.

Investment income includes a recovery on real estate in the amount of $36 ($428 in 2006).

7. CAPITAL ASSETS

	Year Ended December 31			
	2007			2006
	Cost $	Accumulated Amortization $	Net $	Net $
Software	5,686	2,818	2,868	3,611
Technology projects under development	6,274	---	6,274	3,903
Furniture and equipment	2,643	1,373	1,270	1,553
Leasehold improvements	402	175	227	191
	15,005	4,366	10,639	9,258

Administration expenses include the amortization of capital assets amounting to $1,110 ($1,349 in 2006).

8. OTHER ASSETS

	Year Ended December 31	
	2007 $	2006 $
Accounts receivable:		
Reinsurers	3,439	4,576
Clients	3,289	3,698
Commissions and prepaid expenses	3,202	2,643
Premiums receivable	2,266	1,813
Other	1,932	1,458
	14,128	14,188

9. ACTUARIAL LIABILITIES

Nature and Composition of Actuarial Liabilities

Actuarial liabilities represent the amounts that, together with estimated future premiums and investment income, will be sufficient to pay the estimated future benefits, dividends, and expenses on policies in force. Actuarial liabilities are determined using generally accepted actuarial practices, according to standards established by the Canadian Institute of Actuaries. The valuation method used is the Canadian balance sheet method.

The composition of the Company's actuarial liabilities is as follows:

	Year Ended December 31	
	2007 $	2006 $
Individual insurance	242,858	174,304
Group insurance	16,340	15,890
Annuities and pensions	178,500	168,618
	437,698	358,812

The composition of the assets backing actuarial liabilities and surplus is as follows:

2007	Marketable Securities $	Mortgages $	Real Estate $	Other $	Total $
Carrying value					
Individual insurance	232,190	8,792	---	1,876	242,858
Group insurance	11,156	4,051	---	1,133	16,340
Annuities and pensions	74,677	98,756	---	5,067	178,500
Other, including equity	46,417	6,182	32,203	50,757	135,559
	364,440	117,781	32,203	58,833	573,257
Market Value	364,440	114,205	35,388	58,833	572,866

2006	Marketable Securities $	Mortgages $	Real Estate $	Other $	Total $
Carrying value					
Individual insurance	160,363	9,306	---	4,635	174,304
Group insurance	10,379	4,860	---	651	15,890
Annuities and pensions	66,567	105,721	---	(3,670)	168,618
Other, including equity	48,645	5,618	31,201	44,240	129,704
	285,954	125,505	31,201	45,856	488,516
Market Value	361,041	123,580	31,891	45,856	562,368

Assumptions

The valuation method implies the selection of assumptions based on the actuaries' best estimate in order to reflect the risks undertaken by the Company, namely: mortality, disability, investment returns, operating expenses and lapses. These assumptions must be modified by the introduction of margins for adverse deviations that result in an increase in the liabilities. The assumptions are revised annually to make sure they correctly reflect the Company's experience. Any change in the assumptions impacts the actuarial liabilities and is immediately recognized in income.

The following is a description of the methods used to calculate the assumptions and the margins for adverse deviation:

a) Mortality

For individual life, the Company uses a recently published industry mortality table, modified to take into account the actual experience of the Company over the last five years. Future mortality improvements are not taken into account in the valuation.

For annuities and pensions, a recent industry mortality table is used taking into account expected future improvements in annuitant mortality.

b) Disability

The Company uses disability tables representative of the industry experience, modified to reflect the Company's own experience.

c) Investment Returns

The computation of actuarial liabilities takes into account projected net investment income on assets backing liabilities and on new cash flows to be invested or disinvested in the future. The uncertainty of the interest rates at which future cash flows can be reinvested has been taken into account by testing plausible future interest rate scenarios to determine the sensitivity of the results. Investment expenses and asset default risks are also considered in the valuation.

d) Expenses

The administrative expenses per policy are based on the Company's internal cost analysis, which is updated annually. These unit costs are projected into the future, factoring inflation.

e) Lapses

Each year, an internal study of the Company's policy lapse rates is conducted. The valuation assumptions are chosen by considering both this internal study and the published industry experience

f) Policyholder Dividends

Actuarial liabilities include the present value of expected future policy dividends reflecting current dividend scales.

g) Margins for Adverse Deviations

The basic assumptions made in establishing actuarial liabilities represent best estimates for a range of possible outcomes. To recognize the uncertainty in establishing best estimates, to allow for possible deterioration in experience and to provide greater comfort that the actuarial liabilities are adequate to pay future benefits, actuaries are required to include a margin for each assumption. A range of allowable margins is defined by the Canadian Institute of Actuaries and the actuary must choose the margins, within this range, with consideration for each company's specific situation.

In general, the margins are higher for fully guaranteed products while they are lower for adjustable products or participating policies where the dividends can be modified to reflect the Company's experience.

Change in Actuarial Liabilities

The change in actuarial liabilities for the year is explained as follows:

	Year Ended December 31	
	2007	**2006**
	$	**$**
Actuarial liabilities at the beginning of the year	358,812	350,655
Changes in accounting policies	78,494	---
Normal increase in liabilities	4,735	9,416
Changes resulting from revised actuarial assumptions	(4,343)	(1,259)
Actuarial liabilities at the end of the year	437,698	358,812

Reinsurance

In order to stabilize the results of the Company, part of the business is ceded to registered reinsurers. Reinsurance ceded does not discharge the Company of its liability towards its insureds. Therefore, failure of reinsurers to honor their obligations could result in losses for the Company. Each year, the Company ascertains that its reinsurers exceed the minimum capitalization required by the regulatory authorities.

According to the existing reinsurance agreements, the actuarial liabilities have been reduced by $61,094 ($53,151 in 2006) to reflect the portion of the ceded risk.

10. LONG-TERM DEBT

	Year Ended December 31 2007 $	2006 $
Mortgage loans		
Mortgage loans at a rate of 5.79%, maturing in April 2009 and pledging real estate	4,804	5,014
Mortgage loans at a rate of 5.25%, maturing in April 2008 and pledging real estate	4,137	4,370
Mortgage loans at a rate of 5.35%, maturing in April 2010 and pledging real estate	1,986	2,086
Bank loans and Other		
Loans at prime rate minus 1% without fixed repayment conditions	297	297
	11,224	11,767

Payments on principal expected and required in the next five years to meet repayment provisions are as follows:

Years ending December 31,	2008	$563
	2009	$1,002
	2010	$1,413
	2011	$650
	2012	$691

These estimated payments are based on the assumption that the loans maturing in 2008 will be renewed on a yearly basis.

The long-term debt to be renewed within one year is $4,137.

11. BANK LOANS

The Company has authorized credit margins totaling $500 and bearing interest at the bank's base rate. These bank loans are renewable annually and are not guaranteed.

12. DEFERRED GAINS (LOSSES)

	Year Ended December 31	
	2007	2006
	$	$
Bonds	---	7,564
Real estate	---	(139)
Other investments	---	(27)
	---	7,398

13. TAXES

The effective income tax rate in the Company's consolidated statement of income differs from the Province of New Brunswick's statutory tax rate, mainly as a result of the following:

	Year Ended December 31			
	2007		2006	
	$	%	$	%
Income tax at statutory rate	2,287	35.1	2,719	35.1
Increase (decrease) in the tax rate resulting from:				
Investment income tax	372	5.7	362	4.7
Large capital tax	189	2.9	44	0.6
Prior year adjustments	(186)	(2.9)	(76)	(1.0)
Permanent differences	311	4.8	325	4.2
Differences in tax rates in provincial jurisdictions	(227)	(3.5)	(15)	(0.2)
Savings due to decreases in future tax rates	(272)	(4.2)	(496)	(6.4)
Other	27	0.5	(24)	(0.3)
	2,501	38.4	2,839	36.7

The Company's future tax assets and liabilities arise from the following items:

	Year Ended December 31	
	2007	2006
	$	$
Real estate and capital assets	3,599	3,854
Actuarial liabilities	7,809	3,037
Marketable securities	1,352	(57)
Non-capital losses	(3,360)	---
Other	(64)	(38)
	9,336	6,796

14. OTHER LIABILITIES

	Year Ended December 31	
	2007	2006
	$	$
Accounts payable:		
Suppliers	6,075	4,933
Reinsurers	2,256	1,644
Other	4,603	4,927
	12,934	11,504

15. ACCUMULATED OTHER COMPREHENSIVE INCOME

	Year Ended December 31	
	2007	2006
	$	$
Unrealized gains on available-for-sale securities, net of income taxes of $479	1,344	---
Real estate appraisal increase credit, net of income taxes of $223 ($247 in 2006)	1,371	1,347
	2,715	1,347

16. EMPLOYEE BENEFIT PLANS

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

	Year Ended December 31	
	2007	2006
	$	$
Changes in accrued benefit obligation:		
Balance at beginning of year	30,766	26,695
Current service cost	2,354	2,242
Interest cost	1,612	1,547
Benefits paid	(4,253)	(1,249)
Actuarial loss	657	1,531
Balance at end of year	31,136	30,766
Changes in plan assets:		
Fair value at beginning of year	22,319	19,385
Actual return on plan assets	304	1,732
Employer contributions	1,737	1,801
Employees' contributions	657	650
Benefits paid	(4,253)	(1,249)
Fair value at end of year	20,764	22,319
Funded status – (deficit)	(10,372)	(8,447)

The Company's net pension plan expense is computed as follows:

	Year Ended December 31	
	2007	2006
	$	$
Current service cost, net of employee contributions	1,698	1,592
Interest cost	1,612	1,547
Expected return on plan assets	(1,467)	(1,378)
Amortization of actuarial loss	273	248
Pension expense	2,116	2,009

Other liabilities on the balance sheet are net of a liability of $511 ($143 in 2006) for future employee benefits, as follows:

	Year Ended December 31	
	2007	2006
	$	$
Group insurance benefits liability	(366)	(376)
Pension plan asset (liability)	(145)	233
	(511)	(143)

The most recent actuarial evaluation was on December 31, 2004, except for the pension plan for Assumption Life employees outside Québec, for which the date is December 31, 2006.

The pension fund monies are invested in the following assets:

	Year Ended December 31	
	2007	2006
	$	$
Assumption Life Balanced Fund	20,471	22,126
Cash	293	193
	20,764	22,319

Assumption Life Balanced Fund

The Assumption Life Balanced Fund (the "Balanced Fund") is a segregated fund established by Assumption Life. The overall objective of the Balanced Fund is a net rate of return, after management fees, that is more than the annual increase in The Consumer Price Index, discounted at the average yearly compound rate over a period of four years.

The Balanced Fund portfolio consists of a mix of cash, Canadian bonds and equities, foreign equities, international bonds or pooled funds or mutual funds invested in any or all of the above asset categories, or future and option contracts on securities, indices or currencies. The Balanced Fund is eligible as a registered retirement savings plan under the Income Tax Act of Canada.

17. UNCERTAINTIES

Taxes

Income taxes are calculated based on rates and laws in effect or known at the reporting date. In addition, the Canadian government has announced its intention to harmonize its tax legislation with new accounting standards for financial instruments, but details were not available at the time that these consolidated financial statements were prepared. The difference between estimated taxes and taxes due will be charged to income the following year, which may cause fluctuations in the relation of taxes to pre-tax results for the year in question.

18. CONTINGENCIES

Litigation

In the course of its normal operations, the Company is occasionally named as a defendant in legal proceedings. While it is not possible at present to anticipate the outcome of such procedures, the Company does not expect that it will incur significant losses or need to commit significant amounts to such actions.

19. INVESTMENT INCOME

	Year Ended December 31	
	2007	**2006**
	$	**$**
Earned income		
Bonds	8,679	16,897
Mortgages	7,883	8,320
Real estate, net amount	2,187	2,178
Investment funds	1,603	1,081
Other	1,781	2,081
	22,133	30,557
Recognition of realized and unrealized gains and losses		
Bonds	4,475	753
Real estate	36	147
Investment funds	(758)	54
Realized gains on available-for-sale securities	1	---
	3,754	954
Investment expenses	(858)	(1,113)
	25,029	30,398

20. ADDITIONAL INFORMATION ON THE STATEMENT OF CASH FLOWS

Cash flows include the following elements:

	Year Ended December 31	
	2007	**2006**
	$	**$**
Interest paid on financing	632	588
Interest received	32	---
Income taxes paid	1,791	1,967
Dividends paid	304	402
Dividends received	20	---

21. FINANCIAL STABILITY OF THE COMPANY

Capital Adequacy

The regulatory authorities require life insurance companies in Canada to maintain a minimum capitalization ratio in order to carry on business activities. In reference to the guideline imposed by the Office of the Superintendent of Financial Institutions of Canada (OSFI), the Company maintains a ratio above the minimum requirement of 150%. As of December 31, 2007, the Company's ratio is approximately 253% (259% in 2006).

A level of 253% means that the Company has sufficient capitalization to face unexpected negative results of approximately $31 million ($31 million in 2006) while still being able to meet the minimum requirement.

Exposure of the Company to Various Risks

Each year, the actuary projects the expected results of the Company according to its business plan (three-year plan). This analysis, called the dynamic capital adequacy testing (DCAT), is presented to the Board of Directors and filed with the regulatory authorities. The purpose of this analysis is to make sure the Company has enough capital to successfully go through the next few years and face unexpected outcomes.

This exercise considers many unfavorable scenarios in order to test the financial strength of the Company. Given the diversity of the Company's lines of business, this analysis shows that no element of exposure taken separately has any significant impact on its solvency. Also, the combination of these elements to different degrees does not jeopardize the solvency of the Company.

22. SEGMENTED INFORMATION

The Company operates principally in the life and health insurance industry, including sales and services with respect to individual and group life and health insurance and annuity products.

The line of business segmented information is as follows:

	Year Ended December 31					
	2007			2006		
	Premiums $	Investment Income $	Assets $	Premiums $	Investment Income $	Assets $
Individual insurance	20,689	9,421	242,858	19,504	12,403	174,304
Group insurance	27,554	1,814	16,340	25,219	1,948	15,890
Annuities and pensions	28,266	9,478	178,500	29,903	10,861	168,618
Other, including equity	---	4,316	135,559	---	5,186	129,704
	76,509	25,029	573,257	74,626	30,398	488,516

23. FINANCIAL INSTRUMENTS

Credit Risk
In the normal course of operations, the Company extends credit to its clients, reinsurers, agents and brokers. Credit risk is mainly controlled through the Company's investment policy which states investment criteria, and by checking the reinsurers' capitalization situation.

Exchange Risk
In the normal course of operations, the Company concludes transactions in foreign currencies and is thereby exposed to the fluctuation of currencies. As at December 31, 2007, net assets of $5,234 ($5,752 in 2006) were invested in U.S. currency and converted to Canadian dollars.

Interest Rate Risk
The Company manages its investment portfolio based on its cash flow needs and with the objective of optimizing its investment income. Certain marketable securities, mortgages, loans to policyholders and term deposits carry fixed interest rates, and certain long-term debts carry variable rates. This exposes the Company to interest rate risks.

Fair Value
Because of their short-term nature, the fair values of cash, term deposits, accrued investment income, benefits payable and other provisions, insureds' deposits, other assets and liabilities are equal to their book value.

The fair value of marketable securities corresponds approximately to their market value.

Mortgage loans fair value has been established by discounting expected future cash flows using current market rates of interest for mortgage loans with similar terms and comparable credit risks.

The fair value of the $297 loans cannot be computed because future cash flows are not determinable.

The fair values of the $4,804 and $4,137 mortgage loans are relatively close to their carrying values because their interest rates are close to currently available rates for loans with similar terms and maturities.

The fair value of the $1,986 mortgage loan was established at approximately $1,930, based on discounting expected future cash flows, in accordance with the current loan agreement, using a rate that the Company might currently receive for a loan with similar terms and maturities.

The fair value of loans to policyholders is relatively close to their carrying value, because of the annual renewal of interest rates.

24. COMPARATIVE FIGURES

Certain comparative figures have been reclassified in order to conform to the presentation adopted for the year ended December 31, 2007.

Salute to Excellence

Assumption Life wishes to salute employees who have contributed to its success. Denis Losier, President and CEO, recently presented awards to the following employees having distinguished themselves in 2007.

President's Award: Nancy Aubé, IT Technician
Management Award: Michel Allain, Director, Actuarial Services
Recruit of the Year Award: Mario Haché, Louisbourg Investments
Volunteer Award: Isabelle Goguen, Underwriting Clerk

Customer Service Awards
Pierre-Luc Bouchard, Junior Actuarial Analyst
Angèle Vautour, Head Medical Underwriter
Rachelle Landry, Marketing Assistant
Jacques Jobin, IT Specialist, Financial Services
Angela Roy, Administrative Assistant, Financial Services
Claudine Cormier, Financial Information Analyst
André Léger, Technical Support

Organizational Chart

Assumption Mutual Life Insurance Company

Atlantic Holdings (1987) Ltd.
100% Assumption Mutual Life Insurance Company
$1,227

Assumption Place Ltd.
100% Assumption Mutual Life Insurance Company
$15,286

Louisbourg Investments Inc.
51% Atlantic Holdings (1987) Ltd.

% value = percentage of voting rights held
$ value = book value (in thousands of Canadian dollars)

Assumption Life

Assumption Mutual Life Insurance Company

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