

## 12. ACCOUNTS RECEIVABLE

	2007	2006
Credit card receivables	\$ 2,023	\$ 1,571
Amount securitized	(1,475)	(1,250)
Net credit card receivables	548	321
Other receivables	593	686
Accounts receivable	\$ 1,141	\$ 1,007

The Company, through *PC Bank*, securitizes certain credit card receivables by selling them to independent special purpose entities or trusts that issue interest bearing securities. When *PC Bank* sells credit card receivables, it retains servicing responsibilities, certain administrative responsibilities and the right to future cash flows after obligations to investors have been met. Commencing January 1, 2007, these retained interests have been designated as held-for-trading upon the implementation of Section 3855 and are carried at their fair value in other assets. The fair value of these retained interests was estimated using management's best estimate of the net present value of expected future cash flows using key assumptions. Prior to January 1, 2007, these retained interests were carried at their original carrying amount that was periodically reviewed and written down to fair value when there was an other than temporary decline in value. Although *PC Bank* remains responsible for servicing all credit card receivables, it does not receive additional compensation for servicing those credit card receivables sold to the trusts.

During 2007, \$225 (2006 – \$240) of credit card receivables were securitized through the sale of a portion of the total interest in these receivables to independent trusts, yielding a \$1 gain (2006 – nominal net loss) on the initial sale inclusive of nil (2006 – nil) servicing liability. During 2007, *PC Bank* received income of \$141 (2006 – \$114) in securitization revenue from the independent trusts relating to the securitized credit card receivables. An increase in servicing liability of \$2 (2006 – nil) was recognized during the year on securitization and the fair value at year end of recognized servicing liabilities was \$10 (2006 – \$8). The trusts' recourse to *PC Bank's* assets is limited to *PC Bank's* retained interests and is further supported by Loblaw through a standby letter of credit for 9% (2006 – 9%) on a portion of the securitized amount (see note 25).

Net credit loss experience of \$11 (2006 – \$9) includes \$57 (2006 – \$45) of credit losses on the total portfolio of credit card receivables net of credit losses of \$46 (2006 – \$36) relating to securitized credit card receivables.

The following table displays the sensitivity of the current fair value of retained interests to an immediate 10% and 20% adverse change in the 2007 key economic assumptions. The sensitivity analysis provided in the table is hypothetical and should be used with caution. The sensitivities of each key assumption have been calculated independently of any changes in other key assumptions. Actual experience may result in changes in a number of key assumptions simultaneously. Changes in one factor may result in changes in another, which could amplify or reduce the impact of such assumptions.

	2007	Change in Assumptions	
		10%	20%
Carrying value of retained interests	\$ 8		
Payment rate (monthly)	43.0%		
Weighted average life (years)	0.7		
Expected credit losses (annual)	3.25%	\$ (0.9)	\$ (1.8)
Discount rate applied to residual cash flows (annual)	15.21%	\$ (0.02)	\$ (0.05)

The details on the cash flows from securitization are as follows:

	2007	2006
Proceeds from new securitizations	\$ 225	\$ 240
Net cash flows received on retained interests	\$ 143	\$ 116