

12. ACCOUNTS RECEIVABLE

The components of accounts receivable as at December 31, 2008 and December 31, 2007 were as follows:

	2008	2007
Credit card receivables	\$ 2,206	\$ 2,023
Amount securitized	(1,775)	(1,475)
Net credit card receivables	431	548
Other receivables	527	437
Accounts receivable	\$ 958	\$ 985

Credit Card Receivables

The Company, through *PC Bank*, securitizes certain credit card receivables by selling them to independent trusts that issue interest bearing securities. When *PC Bank* sells credit card receivables, it retains servicing responsibilities, certain administrative responsibilities and the rights to future cash flows after obligations to investors have been met. These retained interests have been designated as held-for-trading and are carried at their fair value in accounts receivable. 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. 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 independent trusts.

During 2008, \$300 (2007 – \$225) of credit card receivables were securitized through the sale of a portion of the total interest in these receivables to independent trusts. A portion of the securitized receivables are in an independent trust facility with a term of 364 days, subject to annual renewal. If the term of this facility is not renewed, collections will be accumulated prior to the expiry and the amount of that portion of the securitized receivables will be repaid to the independent trusts. The securitization yielded a \$1 gain (2007 – \$1) on the initial sale inclusive of \$1 (2007 – nil) servicing liability. During 2008, PC Bank received income of \$176 (2007 – \$141) in securitization revenue from the independent trusts relating to the securitized credit card receivables. An increase in servicing liability of \$1 (2007 – \$2) was recognized during the year on securitization and the fair value as at year end 2008 of recognized servicing liabilities was \$11 (2007 – \$10). The trusts' recourse to PC Bank's assets is limited to PC Bank's retained interests and is further supported by Loblaw through standby letters of credit for \$116 (2007 – \$89) on a portion of the securitized amount (see note 30).

Net credit loss experience of \$35 (2007 – \$11) includes \$99 (2007 – \$57) of credit losses on the total portfolio of credit card receivables net of credit losses of \$64 (2007 – \$46) 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 2008 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.

	2008	Change in Assumptions	
		10%	20%
Carrying value of retained interests	\$ 14		
Payment rate (monthly)	41.56%	\$ (1)	\$ (2)
Weighted average life (years)	0.7		
Expected credit losses (annual)	5.35%	\$ (2)	\$ (4)
Annual discount rate applied to residual cash flows	7.65%		
Net yield	13.00%	\$ (4)	\$ (9)
Cost of funds	3.65%	\$ (1)	\$ (3)

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

	2008	2007
Proceeds from new securitizations	\$ 300	\$ 225
Net cash flows received on retained interests	\$ 177	\$ 143

Credit card receivables that are past due of \$7 as at year end 2008 are not classified as impaired as they are less than 90 days past due and most receivables are reasonably expected to remedy the past due status. Any credit card receivable balances with a payment that is contractually 180 days in arrears or where the likelihood of collection is considered remote are written off. Concentration of credit risk with respect to receivables is limited due to the Company's customer base being diverse. Credit risk on the credit card receivables is managed as described in note 29.

Other Receivables

Other receivables consist mainly of receivables from Loblaw's independent franchisees, associated stores and independent accounts and receivables from Weston Foods customers. Other receivables that are past due but not impaired totaled \$86 as at year end 2008, of which a nominal amount were more than 60 days past due.