



Annual Report 1982



Pacific Western Airlines Ltd.

1982 In Brief

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Chairman of the Board
President, McDaniel & Associates
Consultants Ltd.
Calgary, Alberta

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Vancouver, British Columbia

C.W. BRAZIER, O.C.
Associate Counsel
Davis & Co.
Vancouver, British Columbia

A.F. CAMPNEY
Partner
Campney & Murphy
Vancouver, British Columbia

R.T. EYTON
President & Chief Executive Officer
Pacific Western Airlines Ltd.
Calgary, Alberta

S. KANEE, O.C.
Chairman & Chief Executive Officer
Soo Line Mills (1969) Ltd.
Winnipeg, Manitoba

E.W. KING
President & Chief Executive Officer
Canadian Utilities Limited
Edmonton, Alberta

FINANCIAL (in thousands of dollars)

	1982	1981
Operating revenue	\$ 318,823	\$ 313,348
Operating expense	\$ 293,775	\$ 286,906
Operating income	\$ 25,048	\$ 26,442
Net income for the year	\$ 6,309	\$ 17,926
Funds provided by operations	\$ 25,104	\$ 38,797
Common shares issued	2,770,356	2,770,356
Net income per common share	\$ 2.28	\$ 6.47
Cash flow per common share	\$ 9.06	\$ 14.00

OPERATIONS (in thousands)

Passengers carried		
Mainline	3,136	3,785
Charter	355	388
Passenger miles flown		
Mainline	928,328	1,047,350
Charter	449,968	503,272
Cargo ton miles flown		
Mainline	13,997	16,056
Domestic Charter (excluding Hercules)	5,668	6,075
Hercules	7,657	12,893
Aircraft miles flown		
Mainline	16,066	17,565
Charter (excluding Hercules)	5,462	5,994
Hercules	763	1,183

R.B. LOVE, O.C.
Partner
Macleod Dixon
Calgary, Alberta

J. MAJOR, O.C.
Bennett Jones
Calgary, Alberta

A.V. MAURO, O.C.
President
The Investors Group
Winnipeg, Manitoba

R.D. SOUTHERN
President & Chief Executive Officer
ATCO Ltd.
Calgary, Alberta

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Chairman of the Board

R.T. EYTON
President & Chief Executive Officer

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Finance & Secretary-Treasurer

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Senior Vice President, Administration

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Senior Vice President, Commercial
Services

D.G. SMITH
Senior Vice President, Operations

R.W. BENALLICK
Vice President & Controller

A.C. CAMPBELL
Vice President, Passenger Services

E.M. CARON
Vice President, Eastern Region

G.J. COOKE
Vice President, Airport Services

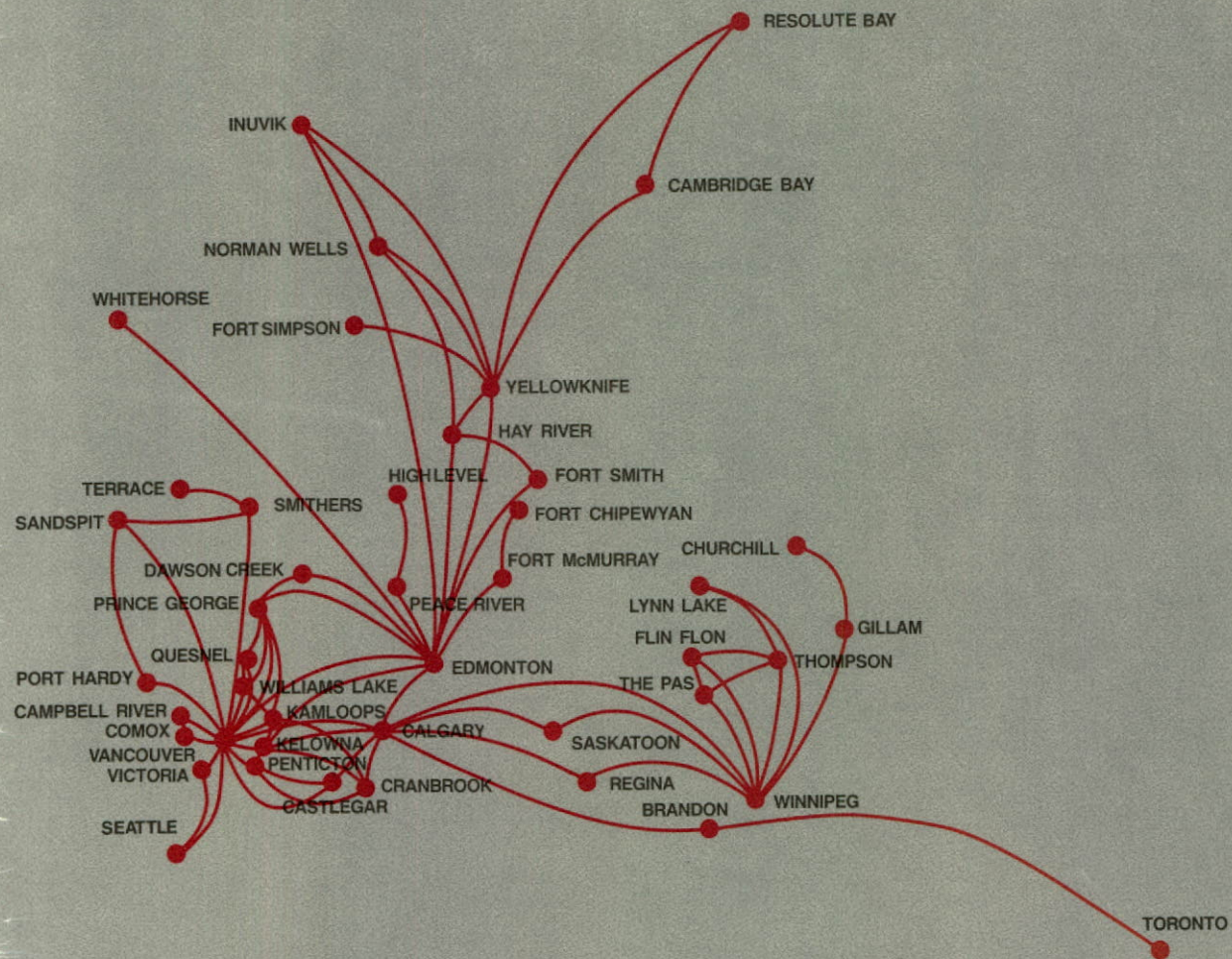
W. DOBIN
Vice President, Technical Services

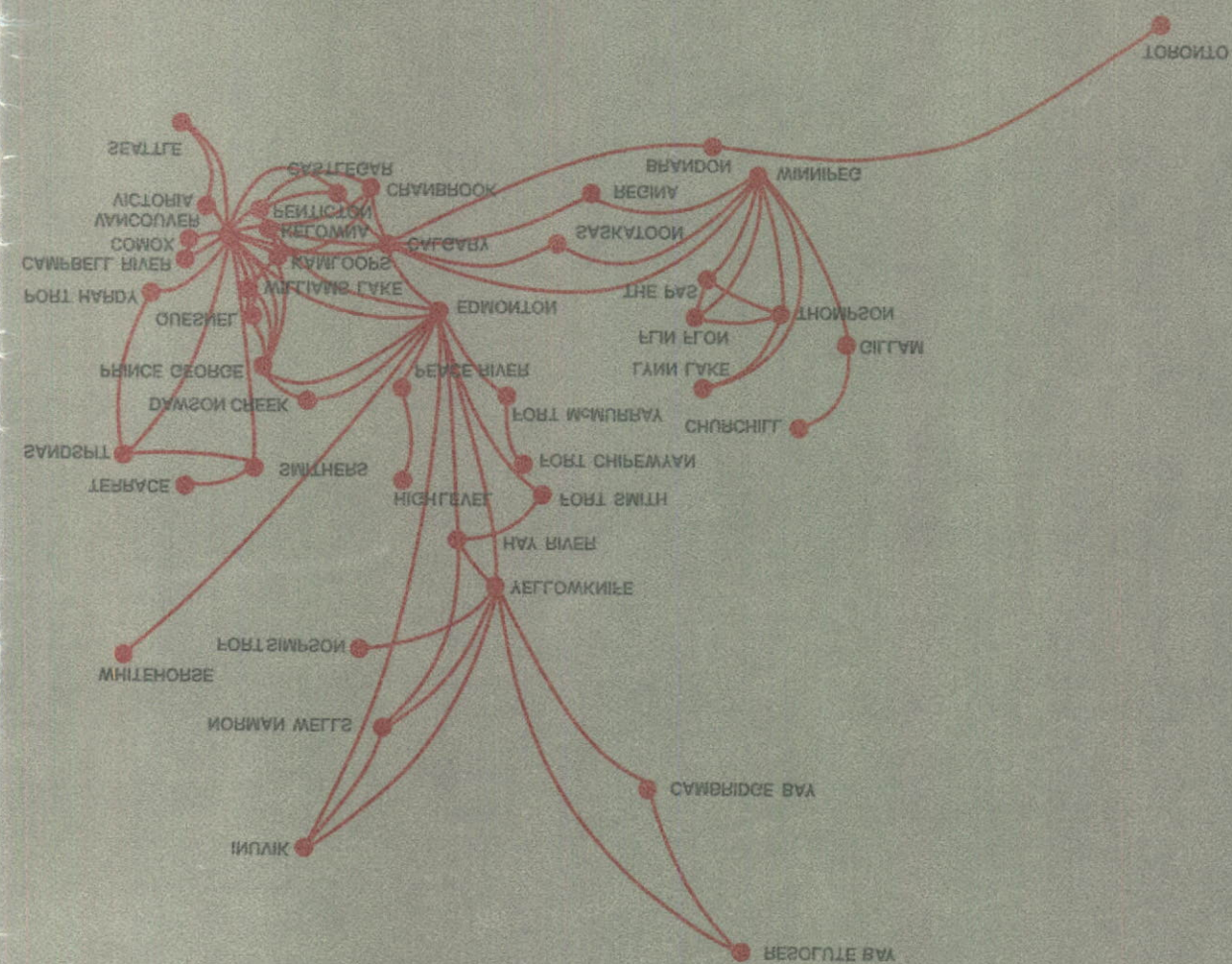
K.E. GRAY
Vice President, Central Region

J.G. MANN
Vice President, Western Region

E.E. PEZZOT
Vice President, Market Planning

E.J. RANSON
Vice President, Sales & Service

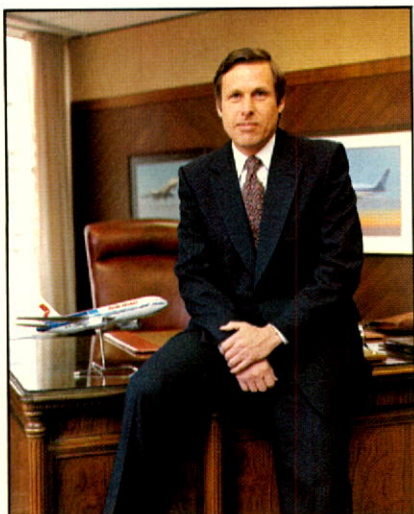








Report of the President and Chief Executive Officer



I am pleased to submit the annual report for the twelve-month period ended December 31, 1982.

Financial

Revenues in 1982 climbed \$5.5 million, or 1.7% over the previous year, reaching \$318.8 million from \$313.3 million in 1981. Scheduled operations contributed 80% to this revenue which was consistent with the prior year.

The Company produced net income of \$6.3 million, or \$2.28 per common share, compared with net income of \$17.9 million, or \$6.47 per common share recorded in 1981, a decrease of 64.8%. It should be noted that \$4.2 million of the 1981 net income was from gains on sale of property and equipment while a loss of \$186,000 was incurred from this source in 1982.

Net income from operations generated an 8.7% return on invested capital in 1982, a decrease from the 11.8% return on invested capital in 1981. Cash flow from operations decreased by 35.3% from \$38.8 million in 1981, to \$25.1 million in 1982.

Mainline Revenues

Mainline passenger revenues of your Company increased 0.8% in 1982, up \$1.9 million from \$225.4 million in 1981 to \$227.3 million. Revenue passenger miles flown decreased by 11.4% while the

yield per revenue passenger mile improved by 13.8%.

In 1982, the total mainline passengers carried decreased by 17.1%, or 649,000, to 3,136,000 from 3,785,000 passengers carried in 1981. The average distance travelled per revenue passenger increased from 277 miles in 1981 to 296 miles in 1982, while the load factor decreased from 54.5% in 1981 to 52.7 in 1982.

Cargo revenue from mainline operations increased in 1982. During the year revenues reached \$26.4 million, an increase of \$2.2 million or 9.1% over the \$24.2 million in 1981. Cargo ton miles flown during 1982 decreased 13.0% or 2.1 million, from 16.1 million in 1981 to 14.0 million in 1982.

Operating Expenses

Operating expenses increased 2.4% during 1982, climbing to \$293.8 million in 1982 from \$286.9 million in 1981, an increase of \$6.9 million.

Wages and benefits paid to employees increased 5.2% from \$108.9 million in 1981 to \$114.5 million in 1982, and represented 36.6% of total expenses for the year compared to 36.9% in 1981.

Fuel expenses in 1982 decreased 2.1% from \$66.6 million in 1981 to \$65.2 million in 1982, and represented 20.9% of total expenses in 1982 compared to 22.5% in 1981.

Scheduled Services

During 1982, your Company added a second non-stop frequency between Calgary/Edmonton and Vancouver. Authority for this service was granted in July of 1980. Frequencies were reduced to various West Coast communities due to the decline in activity in the lumber and mining industries.

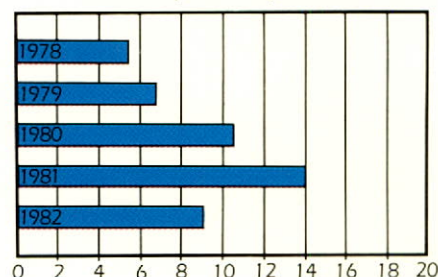
Your Company has recently added a non-stop frequency to Prince George with an extension to Dawson Creek to accommodate increased traffic resulting from the Tumbler Ridge coal mining project.

Service to Fort McMurray was reduced slightly in the Spring of 1982 due to the demise of the Alsands Energy Ltd. heavy oil project, and jet service to Uranium City was suspended due to the closing of the uranium mine in that area. Service is still being provided to Uranium City out of Fort McMurray by a third level carrier until such time as the Canadian Transport Commission rules on our application for suspension of service.

Service between Edmonton and Whitehorse in the Yukon has been reduced to two frequencies per week from five operated in mid-1982, due to the rapid decrease in air traffic resulting from a decline in mining activity in the area.

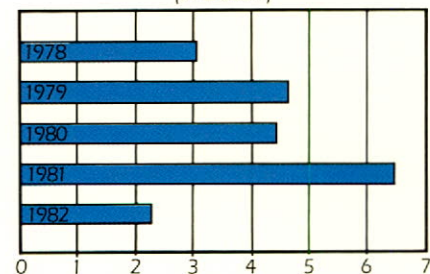
Net Cash Flow Per Share

(In Dollars)



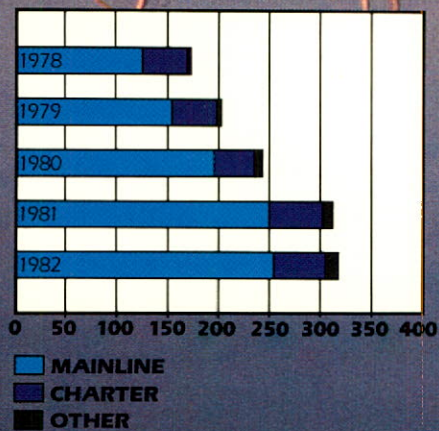
Net Income per Share

(In Dollars)





Revenues
(In Millions of Dollars)



Report of the President and Chief Executive Officer

During the year, your Company increased its service level to Norman Wells in the Northwest Territories due to the expansion of the Esso Resources Canada Ltd. refinery at Norman Wells, and pipeline construction in the area.

Service patterns were reduced in Northern Manitoba following the decline in mining operations due to falling world prices for metals.

The effect of the various reductions in service patterns during the year resulted in a 9.5% decline in flying hours on mainline services.

Passenger Charter Operations

Passenger charter operations during 1982 contributed 12.6% to the Company's overall revenues, increasing from 12.5% in 1981. Revenues increased 2.6%, climbing from \$39.2 million in 1981 to \$40.2 million in 1982. This operation utilized Boeing 737 equipment on both an off-hours and dedicated basis, and included domestic, transborder, international and incidental charters.

During the year, your Company carried 355,000 charter passengers compared to 388,000 charter passengers in 1981, a decrease of 8.5%.

In 1982, your Company's Charter Department expanded operations into Caribbean destinations such as Puerto Plata; Aruba; and the Bahamas, and commenced operations into Guaymas, Mexico.

Pacific Western Holidays, which was formed in 1981 as a subsidiary company, and allows your Company to promote its own charter programs, grew considerably, ending the year with an encouraging financial result.

Pacific Western Holidays operated Inclusive Tour Charter programs out of Vancouver, Calgary and Edmonton to destinations such as Phoenix, Arizona; Las Vegas, Nevada; and Palm Springs, California.

Advance Booking Charters were also operated on a transcontinental basis for Pacific Western Holidays and other operators.

Hercules and Northern Canada Resupply

In 1982, revenues derived from the Hercules Operations decreased 27.6% from the previous year, a result of decreased activity in Northern Canada. Revenues from this operation totalled \$7.1 million, down from \$9.8 million in 1981. One Hercules aircraft remains in the fleet, operating primarily in Northern Canada, as well as on ad hoc domestic and international charters. A second Hercules aircraft was parked in October of 1982, and is being held for sale. Other Northern Canada Resupply Charters, including those which utilize the Company's Boeing 727, contributed \$4.1 million in 1982.

This product line will continue through 1983, with both the Hercules aircraft and the Boeing 727 under long-term contract to Panarctic Oils Ltd. in support of high arctic drilling programs.

Outside Sales and Other Income

Income from these services increased 16.9% from \$11.8 million in 1981 to \$13.8 million in 1982. Income was derived from four Boeing 737 aircraft leased during the year; as well as ground handling services provided to other carriers in Winnipeg, Regina and Saskatoon, and the training of Boeing 737 pilots for other carriers.

Regulatory

In 1982, your Company continued to pursue its stated objective of providing direct scheduled air service between communities of interest within its service area.

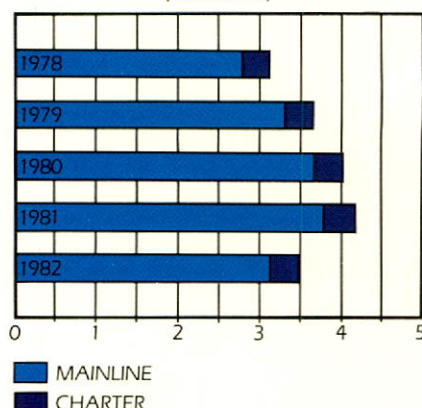
During the year, your Company actively participated in the Canada-United States bilateral negotiations which began in 1980. The date for resumption of these negotiations has not been

established. This was the first time regional carriers were invited to actively participate in the bilateral negotiations.

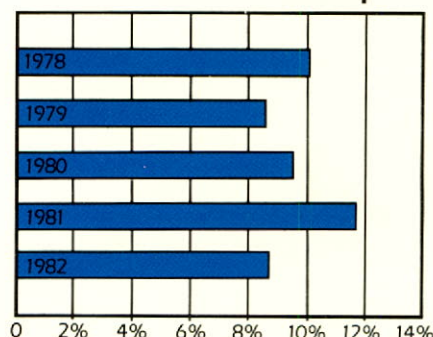
Pacific Western has identified certain transborder points it wishes to serve to the Canadian Government for purposes of these negotiations.

Several steps were taken during the year in response to the economic recession. In March of 1982, your Company applied to suspend service between Prince Rupert, Smithers, Terrace and Prince George in British Columbia. The Company had been subsidizing a third-level carrier to provide turbo-prop service over this route for a number of years, at a significant cost. Approval for this suspension was granted by the Canadian Transport Commission in January of 1983.

Passengers Carried
(In Millions)



Return on Invested Capital*



*Net earnings before extraordinary items and gains on disposal of property and equipment, plus interest expenses and preferred share dividends expressed as a percentage of average invested capital. Invested capital is the sum of long-term debt, capital leases, preferred shares, and shareholders' equity all including both current and long-term portions.



Report of the President and Chief Executive Officer

In July of 1982, your Company filed an application with the Canadian Transport Commission to suspend jet service to the community of Uranium City in North-eastern Saskatchewan. Eldorado Nuclear Ltd., the operators of a major uranium mine in the district, had earlier announced their intentions of closing the mine. We are awaiting a decision on this application, and have contracted a charter operator to provide limited service between Fort McMurray and Uranium City in the interim.

In July, an application was filed with the regulatory authorities to provide service to Lynn Lake, Manitoba on a seasonal basis. This seasonal licence, once granted, will allow your Company to provide service to the community during the summer months to accommodate the various sport fishing lodges in the area.

In September, an application was filed with the Air Transport Committee for removal of limited frequency restrictions between Calgary/Edmonton and Vancouver. Our current licence limits the Company to two non-stop flights between these cities per day. A decision on this application has not been issued.

Another application allowing your Company to operate non-stop between Calgary/Edmonton and Winnipeg was denied by the Air Transport Committee and an Application for Review has been filed by your Company.

Because of the success your Company has experienced on the route between Calgary/Brandon/Toronto, an application has been filed to have our temporary licence converted to a permanent licence. We expect a decision on this application in the near future.

Fleet Planning

During 1982, your Company took delivery of two new Boeing 737 aircraft, and sold four older Boeing 737's. At year-end, two aircraft were being held for sale: one Boeing 737 and one

Lockheed Hercules. The Boeing 737 was subsequently sold in January 1983.

In 1983, your Company will acquire two Boeing 767's, a 225-seat fuel efficient state-of-the-art aircraft. With the acquisition of these aircraft, four Boeing 737's will be surplus to our needs and will be leased out until required.

At year end, your Company operated a fleet of 24 aircraft: 22 Boeing 737's, one Boeing 727 and one Lockheed Hercules freighter.

Capital Programs

During 1982, construction was completed on a \$13.5 million maintenance centre in Calgary. This hangar complex will accommodate one Boeing 767 and four Boeing 737's at one time. The total floor areas in the complex incorporate 126,000 square feet, the largest hangar complex at Calgary International Airport.

A Rediffusion Boeing 767 flight simulator was acquired in 1982 and installed in our maintenance centre at Edmonton Municipal Airport. This simulator employs state-of-the-art technology. The Boeing 767 simulator, valued at \$16.9 million will be used in the training of Pacific Western pilots as well as pilots from other airlines flying the Boeing 767. As well, it is capable of modification to handle Boeing 757 training if required by outside customers in the future.

Two new Boeing 737's were added to the fleet during 1982 at a cost of \$36.9 million, including spare engines.

The reservations capacity in Vancouver and Winnipeg was increased during 1982 at a capital cost of \$1.5 million. Centralized air and power was installed on the Vancouver International Airport ramp to service aircraft while parked at our gates. This program was valued at \$1.4 million and will have a very attractive payback as a result of fuel savings.

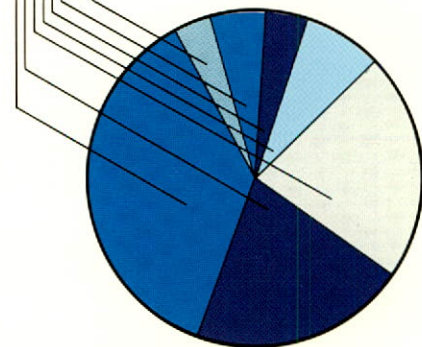


These programs were funded with the remaining proceeds of a preferred share issue completed in 1978, bank debt financing, and internal cash generation.

Expense Distribution

(In Thousands of Dollars)

		% of Total
Salaries and wages	\$114,522	36.6
Fuel	65,182	20.9
Other operating expenses	68,468	21.9
Ownership costs	23,467	7.5
Overhaul costs, maintenance materials and services purchased	12,992	4.2
Landing fees, terminal charges and ground handling	17,508	5.6
Income taxes	10,375	3.3
	<u>\$312,514</u>	<u>100.0</u>



Labour Relations

During 1982, your Company reached agreements with the International Association of Machinists and Aerospace Workers; the Canadian Airline Employees' Association (Catering); the Association of Avionics Instructors and Simulator Technicians; and the Pacific Western Airlines' Employee Association, representing clerical employees.

At year end, your Company employed 3,046 people compared with 3,644 at December 31, 1981.

General

The training of Company personnel continued to receive a very high priority in 1982. A comprehensive curriculum is now in place and includes evening classes which are sponsored by Pacific Western for both employees and spouses, pre-retirement seminars, as well as a variety of industry-related training programs. In 1982, your Company developed and introduced a "Transporting of Dangerous Goods" training program which leads the industry in Canada. This program is now available to shippers across the country. These programs will continue through 1983.

In May of 1982, Mr. David H. Searle, Q.C., resigned from your Board of Directors. Mr. Searle, who was first elected to your Board in December of 1971, made many valued contributions to Pacific Western, and in particular represented the Board in the Northwest Territories during his tenure. We thank him for these contributions.

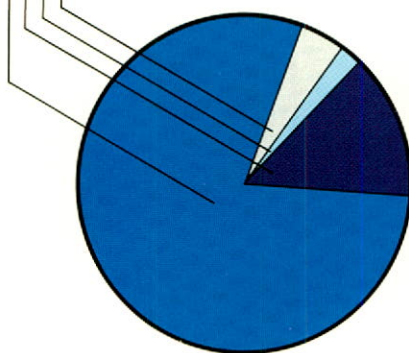
In March of 1982, Mr. Fred Peacock resigned from your Board of Directors in order to take on new challenges overseas. Mr. Peacock was elected to the Board in May of 1981, and we thank him for his contributions to the Company.

During 1982, the Company's computerization program was

continued with implementation of additional modules of the aircraft maintenance system and the successful turn-up of the new general ledger and financial reporting systems. An inclusive tour charter reservation and ticketing system was also introduced for Pacific Western Holidays. Flight schedule planning, flight crew and flight attendant scheduling programs were also implemented on the IBM 4341 computers. A totally new, on-line accounts receivable system was initiated, the first portion in production at year end and the remainder scheduled for start-up in April, 1983.

Revenue Distribution (In Thousands of Dollars)

		% of Total
Mainline	\$253,627	79.6
Charter	44,283	13.9
Hercules	7,085	2.2
Other	13,828	4.3
	<u>\$318,823</u>	<u>100.0</u>



Future

The Company's immediate objective is to remain financially sound while operating in a weak Western Canadian economy. Significant traffic declines over 1982 will continue until at least the end of the first quarter of 1983, at which time we expect to see the first indication of slow but steady growth into the middle of the decade. The peak traffic levels achieved in 1981 will not be reached again, in our view, until 1985/86. In the interim, your Company has acted to trim its operations (fleet, staff levels and general overhead) to meet current traffic levels.

The introduction of two new Boeing 767 aircraft in the Spring of 1983 will ensure that the Company can remain aggressive in serving air travellers in Western Canada both on scheduled and chartered services.

Two additional Boeing 767's previously planned for delivery in the next two years will now be delayed until late 1986 and early 1987.

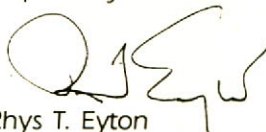
On the subject of airline fares, we are concerned that current levels will begin discouraging traffic as discretionary income shrinks and business travel diminishes. As fewer opportunities to improve the overall productivity of our operations present themselves, your Company will be looking for new ways to streamline its operations and hold the line on costs in an attempt to minimize future fare increases.

In the Fall of 1982, the Government of Alberta appointed a four-man task force to study the manner by which the Company could be sold to the public. Company management were called upon to provide background on current and future financial and operational requirements. It is expected that the task force will report to the Government in the Spring of this year.

We anticipate that 1983 operations will produce another modest profit. However, when resource activities in our service area rebound to previous levels the Company's results should show a marked improvement.

Our employees have again in 1982 given an extra effort to enable the Company to remain profitable while being faced with reduced traffic and rising costs. The Company, as a result, has performed comparatively well in the Canadian industry. Your Board of Directors has continued to guide the Company wisely.

Respectfully submitted,


Rhys T. Eyton

Pacific Western Airlines Ltd.
Consolidated Balance Sheet
 DECEMBER 31, 1982

ASSETS

(in thousands)

CURRENT ASSETS

	1982	1981
Cash and short-term investments	\$ 72,704	\$ 81,793
Accounts receivable	28,618	38,210
Materials and supplies, at average cost	8,699	9,717
Flight equipment held for sale	11,873	6,911
Other current assets	1,670	1,459
	<u>123,564</u>	<u>138,090</u>

INVESTMENTS

- 6,327

MORTGAGES AND LEASES RECEIVABLE

2,409 2,692

PROPERTY AND EQUIPMENT, at cost less write-downs

Flight equipment, including deposits on new equipment	304,196	311,522
Land, buildings and ground facilities	73,415	47,864
	<u>377,611</u>	<u>359,386</u>
Less accumulated depreciation	63,072	60,687
	<u>314,539</u>	<u>298,699</u>

DEFERRED CHARGES

2,642 2,009

GOODWILL

1,522 1,572

\$ 444,676 \$ 449,389

LIABILITIES

CURRENT LIABILITIES

Accounts payable and accrued liabilities	\$ 55,680	\$ 58,245
Current portion of long-term debt	4,861	4,490
Current portion of capital leases	4,716	3,319
Advance ticket sales	7,624	8,009
Sinking fund for preferred shares of a subsidiary	16,500	16,500
	<u>89,381</u>	<u>90,563</u>

LONG-TERM DEBT (note 2)

14,128 7,539

CAPITAL LEASES (note 3)

41,524 46,240

SECURITY DEPOSITS ON LEASE AIRCRAFT

3,366 3,207

DEFERRED INCOME TAXES

24,045 19,417

PREFERRED SHARES OF A SUBSIDIARY (note 4)

187,000 203,500

SHAREHOLDERS' EQUITY

CAPITAL STOCK

Authorized: 5,000,000 common shares without par value
 Issued: 2,770,356 shares

8,590 8,590

RETAINED EARNINGS

76,642 70,333

85,232 78,923

COMMITMENTS (note 5)

\$ 444,676 \$ 449,389

R. R. M. Daniel *Director*

Approved by the board

Director

Director

Consolidated Statement of Retained Earnings

YEAR ENDED DECEMBER 31, 1982

(in thousands)

	1982	1981
BALANCE AT BEGINNING OF YEAR	\$ 70,333	\$ 52,407
Net income	6,309	17,926
BALANCE AT END OF YEAR	<u>\$ 76,642</u>	<u>\$70,333</u>

Consolidated Statement of Income

YEAR ENDED DECEMBER 31, 1982

(in thousands)

	1982	1981
OPERATING REVENUES		
Mainline		
Passenger	\$ 227,279	\$ 225,415
Cargo	26,348	24,167
	253,627	249,582
Charter	51,368	51,921
Outside sales and other income	13,828	11,845
	<u>318,823</u>	<u>313,348</u>
OPERATING EXPENSES		
Flying operations	46,900	44,010
Fuel	65,182	66,634
Maintenance	35,122	36,321
Depreciation and amortization	14,884	13,872
Commercial services	93,332	91,456
Other operating expenses	38,355	34,613
	<u>293,775</u>	<u>286,906</u>
OPERATING INCOME	25,048	26,442
Net gain (loss) on property and equipment, less income taxes (note 7)	(186)	4,174
Interest income, net (notes 2 and 3)	9,575	20,424
Income before income taxes	34,437	51,040
Income taxes	10,375	11,198
Income before dividends on preferred shares of a subsidiary	24,062	39,842
Dividends on preferred shares of a subsidiary	17,753	21,916
NET INCOME	<u>\$ 6,309</u>	<u>\$ 17,926</u>
NET INCOME PER COMMON SHARE	<u>\$2.28</u>	<u>\$6.47</u>

Consolidated Statement of Changes in Financial Position

YEAR ENDED DECEMBER 31, 1982

(in thousands)

	1982	1981
FUNDS PROVIDED BY		
Operations		
Net income	\$ 6,309	\$ 17,926
Add items not requiring funds	18,795	20,871
	<u>25,104</u>	<u>38,797</u>
Investments	6,327	69,220
Disposal of property and equipment	42,102	6,266
Long-term debt	9,924	-
	<u>83,457</u>	<u>114,283</u>
FUNDS APPLIED TO		
Property and equipment	71,547	90,786
Long-term debt	3,335	2,466
Capital leases	4,716	4,994
Sinking fund payments	16,500	16,500
Other, net	703	2,032
	<u>96,801</u>	<u>116,778</u>
DECREASE IN WORKING CAPITAL	13,344	2,495
Working capital at beginning of year	47,527	50,022
WORKING CAPITAL AT END OF YEAR	<u>\$ 34,183</u>	<u>\$ 47,527</u>

Notes to Consolidated Financial Statements

YEAR ENDED DECEMBER 31, 1982
(tabular amounts in thousands)

1. ACCOUNTING POLICIES

(a) Basis of Consolidation

The consolidated financial statements include the accounts of the company and all its subsidiaries:

B.C. Air Lines Limited (inactive)
Midwest Airlines Ltd.
Pacific Western Airlines Leasing Ltd.
Pacific Western (Alberta) Ltd.
Pacific Western Holidays Ltd.
Transair Limited (inactive)

(b) Translation of Foreign Currencies

Current assets and current liabilities in foreign currencies have been translated into Canadian dollars at the rate of exchange in effect at the balance sheet date. Long-term debt payable in foreign currencies is translated at rates prevailing at the date of issue or related forward exchange contract rates. Income and expense items are translated at rates prevailing during the year. Gains and losses resulting from foreign exchange translation are reflected in income for the year.

(c) Property and Equipment

Costs of repair, renewals and replacements, including major flight equipment overhauls, are charged to income except for those expenditures which improve or extend the useful life of assets or which relate to pre-acquisition hours. Upon retirement or disposal of equipment, the cost and related depreciation are removed from the accounts and the gain or loss, if any, is reflected in income for the year. Depreciation is provided at the following straight-line rates:

	<u>Useful Life</u>	<u>Residual Value</u>
Flight equipment	14 - 20 years	15%
Buildings	10 - 20 years	-
Ground equipment	5 - 10 years	-

Flight equipment includes the capitalized value of leased aircraft (see note 3) which have a net book value at December 31, 1982 of \$46,100,000 (1981 - \$48,900,000).

(d) Deferred Charges

Deferred charges (1982 - \$1,140,000) represent costs incurred in computer systems development and development of new routes. These costs are amortized on a straight-line basis over a period up to five years from the date of implementation of the computer system or commencement of service on the new route.

(e) Goodwill

While management is of the opinion that none of the recorded goodwill, which arose in prior years on acquisition of subsidiaries and routes, has diminished in value, in accordance with the recommendation of the Canadian Institute of Chartered Accountants, goodwill is being amortized over a period of forty years from January 1, 1974.

(f) Income Taxes

The company and its wholly-owned subsidiaries are exempt from taxation under Section 149(1)(d) of the Income Tax Act. Other subsidiaries are not tax exempt and accordingly these companies follow income tax allocation principles of recording income taxes based on accounting income.

(g) Capitalization of Interest and Dividend Charges

The company capitalizes interest and dividend charges (1982 - \$4,800,000; 1981 - \$3,700,000) on funds used to finance the acquisition of new flight equipment and the construction of major ground facilities. Such charges are amortized on the same basis as the related asset costs.

(h) Comparative Accounts

Certain 1981 comparative figures have been reclassified to conform with the financial statement presentation adopted for 1982.

Notes to Consolidated Financial Statements

2. LONG-TERM DEBT

	1982	1981
6% Term loans from Export-Import Bank of United States payable in U.S. funds by semi-annual instalments to June 1985, guaranteed by certain Canadian banks, secured by chattel mortgages (U.S. \$6,025,000; 1981 \$9,814,000)	\$ 6,748	\$ 10,604
8½% Term loan from National Westminster Bank of England payable in U.S. funds by semi-annual instalments to February 1988, guaranteed by a Canadian bank, secured by a chattel mortgage (U.S. \$8,970,000)	11,026	-
Notes payable, bearing interest at various rates and payable at various dates to 1986	1,215	1,425
	18,989	12,029
Less current portion	4,861	4,490
	<u>\$ 14,128</u>	<u>\$ 7,539</u>

The effect of translating the non-current portion of U.S. debt at the rate of exchange in effect at the balance sheet date would be to increase the liability by \$677,000 (1981 - \$1,060,000).

Interest on long-term debt for the year amounted to \$811,000 (1981 - \$985,000) and has been reflected in these financial statements as a reduction of interest income.

Long-term debt maturities for the four years subsequent to 1983 are as follows: 1984 - \$5,143,000; 1985 - \$3,100,000; 1986 - \$2,577,000; 1987 - \$2,205,000.

3. LEASE OBLIGATIONS

Minimum lease payments due under capital leases are as follows:

1983	\$ 8,967
1984	7,163
1985	7,786
1986	6,536
1987	6,536
1988-1993	35,491
Total minimum lease payments	72,479
Less amount representing interest	26,239
Balance of obligations	46,240
Less current portion	4,716
	<u>\$41,524</u>

The amount of minimum lease payments representing interest is determined as the amount necessary to reduce future minimum lease payments to their present value, discounted at the rate implied by the terms of the lease. Interest on these agreements for the year amounted to \$4,685,000 (1981 - \$5,200,000) and has been reflected in these financial statements as a reduction of interest income.

The majority of significant operating leases are renewable on an annual basis and the estimated cost over the next five years amounts to an average of \$3,600,000 per annum.

4. PREFERRED SHARES OF A SUBSIDIARY

The preferred shares issued by a subsidiary company have preferred rights on liquidation and carry a cumulative dividend variable with current bank lending rates, payable semi-annually. These shares have an annual mandatory sinking fund redemption of \$16,500,000 to June 30, 1989 and the remaining \$88,000,000 are to be redeemed on June 30, 1990.

The shareholder is entitled to require redemption or purchase by the company in certain circumstances of default or winding up of the company.

These shares are redeemable at the option of the subsidiary company on June 30, 1983 at a premium of 1% and each June 30 thereafter at par value.

5. COMMITMENTS

The company has the following estimated commitments relating to Boeing 767 aircraft and spare engine purchases:

Delivery Date	U.S. Dollars		
	Total	Less Deposit	Net
1983	\$ 86,300	\$ 11,700	\$ 74,600
1986	58,400	3,000	55,400
1987	55,000	1,600	53,400

6. PENSION PLANS

Employees of Pacific Western Airlines Ltd. are covered under contributory pension plans. It is Pacific Western Airlines' practice to obtain periodic actuarial valuations of the pension plans for purposes of determining annual pension cost and funding requirements. Current service costs are provided for and funded when incurred.

A preliminary actuarial review as of December 31, 1982 indicates that there is no unfunded commitment.

7. NET GAIN (LOSS) ON PROPERTY AND EQUIPMENT

	1982	1981
Gain on sale of flight equipment, less income taxes in 1982 of \$1,600,000	\$ 15,139	\$ 2,754
Provision for write-down of Boeing 767 flight equipment, less income tax reduction of \$7,320,000	(15,325)	-
Gain on sale of other property	-	1,420
	<u>\$ (186)</u>	<u>\$ 4,174</u>

Auditors' Report

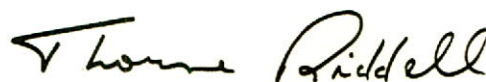
To the Shareholders of
Pacific Western Airlines Ltd.

We have examined the consolidated balance sheet of Pacific Western Airlines Ltd. as at December 31, 1982 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1982 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The 1981 comparative figures are based on financial statements reported upon by the company's former auditors.

Calgary, Canada
February 11, 1983



Chartered Accountants

Pacific Western Airlines Ltd.
10 Year Summary

FINANCIAL STATISTICS

(all figures in thousands of dollars)

	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973
Total operating revenue	318,823	313,348	242,900	202,828	173,106	125,967	100,432	99,368	85,009	68,568
Mainline revenue	253,627	249,582	195,492	156,915	125,060	88,814	76,289	70,135	59,249	47,144
Mainline passenger revenue	227,279	225,415	174,907	138,901	110,136	77,721	65,667	60,665	51,300	40,468
Charter revenue	51,368	51,921	39,254	41,078	45,223	35,788	24,143	29,233	25,760	21,424
Hercules operation revenue	7,085	9,811	8,067	11,522	12,061	12,439	9,091	13,872	13,144	9,678
Total operating expenses	293,775	286,906	223,524	189,104	160,949	116,600	98,068	95,174	81,094	63,052
Depreciation and amortization	14,884	13,872	10,655	9,359	9,503	8,477	4,337	4,593	5,304	3,692
Operating income	25,048	26,442	19,376	13,724	12,157	9,367	2,364	4,194	3,915	5,516
Net gain (loss) on property and equipment less income taxes	(186)	4,174	2,497	3,739	2,963	378	2,178	(20)	40	36
Income taxes										
Current	-	-	-	4,121	723	-	-	-	-	-
Deferred	10,375	11,198	8,405	162	132	-	-	-	622	2,368
Dividends on preferred shares of a subsidiary and minority interest	17,753	21,916	17,122	15,876	2,893	-	-	-	-	-
Income (loss) from discontinued operations	-	-	-	-	-	-	-	(25)	22	(326)
Net income	6,309	17,926	12,236	12,796	8,447	3,246	2,292	1,360	1,301	1,992
Funds provided by operations	25,104	38,797	29,097	18,631	15,003	11,291	4,076	6,189	5,519	8,278
Property and equipment purchased	70,108	99,992	73,166	48,023	21,526	4,281	6,361	12,725	11,839	14,368
Reduction of long-term debt and capital leases	8,051	7,460	12,991	14,871	27,939	12,268	9,295	13,925	10,422	6,834
Long-term debt and capital leases	55,652	53,779	61,239	44,111	58,952	67,087	30,141	35,544	35,796	27,201
Total assets	444,676	449,389	408,428	365,399	361,960	125,422	79,183	81,777	80,040	64,694
Working capital	34,183	47,527	50,022	27,978	14,030	(9,203)	(2,485)	1,217	479	461
Shareholders' equity	85,232	78,923	60,997	48,761	35,965	27,814	26,560	24,390	23,152	15,388

OPERATING STATISTICS

Mainline:

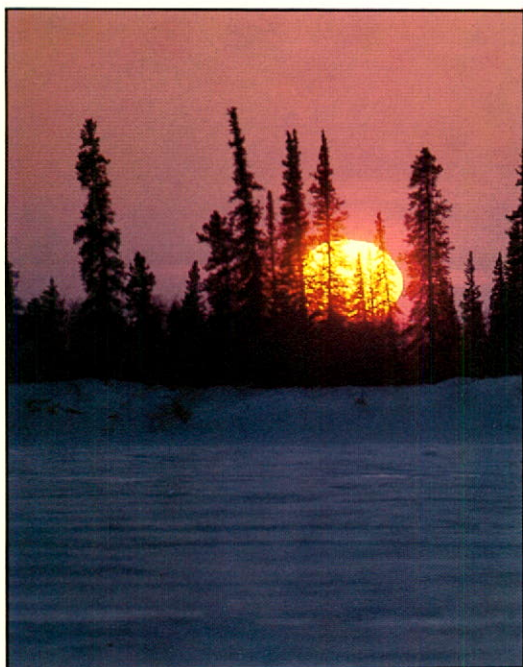
Passengers carried (000's)	3,136	3,785	3,659	3,299	2,775	2,308	2,038	2,047	1,858	1,625
Revenue passenger miles (000's)	928,328	1,047,350	926,827	845,536	728,352	543,318	486,320	480,651	447,076	400,417
Average passenger trip (miles)	296	277	253	256	262	235	239	235	241	246
Available seat miles (000's)	1,760,852	1,921,262	1,732,928	1,600,110	1,322,118	1,012,801	972,741	961,183	863,963	693,647
Passenger load factor	53%	55%	53%	53%	55%	54%	50%	50%	51%	54%
Cargo carried (lbs.) (000's)	51,183	57,440	64,984	69,249	59,703	49,532	49,258	48,890	38,174	35,395
Cargo ton miles (000's)	13,997	16,056	16,499	16,625	14,859	14,413	14,468	14,832	13,365	11,983
Aircraft miles (000's)	16,066	17,565	15,864	15,435	13,604	10,007	9,482	10,210	10,101	9,272

Charter:

Hercules -										
Cargo carried (lbs.) (000's)	61,433	74,695	70,518	97,925	125,944	115,176	82,272	119,912	114,626	137,153
Cargo ton miles (000's)	7,657	12,893	12,975	17,989	15,868	20,050	18,168	21,818	21,134	19,409
Aircraft miles (000's)	763	1,183	1,164	1,686	1,573	1,913	1,708	2,207	2,269	2,042
Other -										
Passengers carried (000's)	355	388	360	343	334	232	154	101	98	87
Revenue passenger miles (000's)	449,968	503,272	442,639	499,733	645,932	533,438	318,109	215,279	223,183	220,563
Average passenger trip (miles)	1,268	1,297	1,230	1,457	1,934	2,299	2,066	2,131	2,277	2,535
Cargo carried (lbs.) (000's)	7,477	7,690	6,784	6,528	9,533	7,161	7,538	17,143	16,243	20,557
Cargo ton miles (000's)	5,668	6,075	5,357	4,795	6,614	5,528	7,171	29,387	28,974	24,919
Aircraft miles (000's)	5,462	5,994	5,229	5,588	6,522	5,083	3,559	3,458	3,208	3,612

Weighted average B737 Daily

Block Hour Utilization	7.6	8.6	8.7	9.3	8.1	7.5	7.1	7.2	7.6	8.2
Personnel at year end	3,046	3,644	3,722	3,517	3,201	2,426	2,282	2,141	2,298	1,862

**Registered Office**

Vancouver, International Airport
Central
Vancouver, British Columbia

Head Office and Executive Offices

Suite 2800
700 - 2nd Street S.W.
Calgary, Alberta

Registrar and Transfer Agent

Montreal Trust Company
Vancouver, British Columbia

Shareholders' Auditors

Thorne Riddell
Calgary, Alberta

Subsidiary Companies

(Wholly-owned)

Pacific Western (Alberta) Ltd.
Pacific Western Airlines Leasing Ltd.
Pacific Western Holidays Ltd.
Midwest Airlines Ltd.
B.C. Air Lines Limited
Transair Limited



Pacific Western



 **Pacific Western**

