

by geography. As steward of one of the world's greatest natural wonders, The Niagara Parks Commission (NPC) plays a major role in maintaining, protecting and showcasing the Falls' grandeur, while contributing to the economic growth and success of Niagara.

As a self-funded agency of the provincial government, NPC is responsible for the maintenance of over 1,700 hectares of parkland, stretching some 56 kilometres along the Niagara River from Lake Erie to Lake Ontario.

Our mission remains the same as it was in 1885, to preserve and enhance the natural beauty of the Falls and the Niagara River corridor for the enjoyment of visitors while maintaining financial self-sufficiency.





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CHAIRMAN'S MESSAGE ~ "NPC's Place in a Changing Falls Landscape"



Chairman Brian E. Merrett

Since the late 1990s, Niagara has undergone an economic renaissance, highlighted by the government's decision to locate a permanent casino facility here in the region. This decision, combined with the economic boom that resulted, changed Niagara forever.

A key question and challenge facing all tourism operators today is how we would go about sustaining this growth well into the future. NPC has for its part taken significant steps to remain an economic catalyst in the region. It is something our provincial government expects and it is a responsibility we take quite seriously.

It is also one of the main reasons NPC decided to pursue projects such as our Legends on the Niagara golf complex. Begun in 1997, this spectacular golf course was designed in part to become the anchor for this province's "destination golf" strategy by making Niagara the gateway to golf in Ontario. If our first year results are any indication, NPC is well on its way to accomplishing this goal.

In just its first year of operations Legends hosted over 3,000 destination golfers, who specifically came to play the courses of Niagara. While in Niagara these golfers not only frequented Legends, they stayed at local hotels, visited Niagara's finest restaurants and took in all that Niagara had to offer. Better yet, in 2002 Legends played host to approximately 55,000 rounds of golf in total, and we are greatly encouraged by the fact that over 13,000 tournament rounds have been booked for the 2003 golfing season.

The opening of Legends can be considered our crowning achievement for 2002. Yet it is not the only event that demonstrated our strong commitment to the tourism industry and to this community. In July, Niagara Parks welcomed thousands of World Youth Day pilgrims who visited the region as part of their stay in Canada. NPC hosted 8,000 pilgrims for a local diocese picnic, and safely managed the multitude of visitors who arrived here by motor coach over an 8-day period. In fact, on one day alone NPC managed a record breaking 300 buses and 9,000 pilgrims who came to Niagara to enjoy our sites and attractions.

But that's not all. In August, NPC partnered with Ontario Power Generation to provide public tours of the Sir Adam Beck 2 Generating Station. These tours were much anticipated and a great addition to NPC's family of heritage sites which educate and entertain our visitors on the natural wonders and rich history of Niagara. These most recent projects allow NPC to fulfill its valuable role as a catalyst, while also helping to sustain and redefine who we are as a business. As a self-funded agency of the provincial government, it is always incumbent upon us to devise new projects, programs and attractions if we are to meet the challenges and changing nature of today's tourism industry.

What also shapes our decisions and plans for the future is the type of visitor or "visitor mix" Niagara experiences each tourism season. For instance, following the tragedy of September 11th, U.S. travel, which previously accounted for over 60% of our tourism market, dropped significantly below the record numbers we achieved just a few short years ago.

In fact, in the first 9 months of 2002, U.S. border crossings to Niagara decreased by 7.4%. As well, international visits to Niagara dropped by 33% during the first 9 months of this year. As a result, NPC began to realize higher domestic visitations within the Parks (16% higher Ontario visits), however these domestic travellers or "day-trippers," on average tended to spend considerably less than did our past American and international patrons.

It is our hope the tourism numbers will begin to rebound during the upcoming tourism season. Ministry of Tourism and Recreation forecasts are projecting tourism growth of 5.9% in U.S. visitations for 2003, while Ontario domestic travel is expected to increase by as much as 13%. Add to this the planned opening of the permanent Casino facility in 2004, (1 million square feet of gaming, retail, dining and entertainment options) and the future growth opportunities for Niagara look promising.

This dramatic growth will pose several challenges for Niagara Parks, including issues such as job retention and succession planning. As well, with the dramatic expansion taking place in the accommodation sector (approximately 14,000 hotel rooms and growing) NPC needs to work with its tourism partners to further package, promote, and expand the "Falls Experience," so that all those who wish to visit Niagara have the opportunity to do so.

World events will also continue to shape the type of tourism season, and type of visitor mix Niagara will experience. NPC is working hard to ensure border issues and the potential for border delays do not spoil the Niagara experience for our international and American visitors.

Finally, and more importantly, changes need to occur based directly on what our patrons are telling us. In 2002, visitors began telling us they were looking for more family oriented, interactive, entertaining and educational experiences. They wanted to be in a safe environment; a place where they could build memories together and a place where they could experience the "Wow," that is Niagara.

These requests have now become our tasks. Over the course of the next several years, NPC plans to set in place a number of new initiatives that are designed to meet the needs of our diverse tourism clientele. In fact, NPC is currently working on a 10-year Master Plan for Queen Victoria Park that will address many of our future opportunities, while providing answers to the challenges we face in this ever-changing tourism landscape.

As Chairman of The Niagara Parks Commission, I am proud of what we have accomplished this year and I am excited over what the future holds in store. I want to take this opportunity to thank our Commissioners and staff for their continued hard work, dedication and commitment to excellence. I look forward to working with them all as we move forward to meet the challenges that await.

Morett

Yours truly,

Brian E. Merrett, Chairman The Niagara Parks Commission



Front row, left to right:

John A. M. Kernahan, General Manager

Larry Boese, Commissioner Appointed August 1, 1997 Term expires July 31, 2003

Archie Katzman, Vice Chairman Appointed October 24, 1981 Term expires October 23, 2005

Joan-Marie Brunt, Commissioner Appointed August 1, 1997 Term expires July 31, 2003

Brian E. Merrett, Chairman Appointed December 10, 1997 Term expires December 9, 2003

Anna T. Corfield-Tartaglia Commissioner Appointed August 1, 1997 Term expires July 31, 2003 S. Wayne Thomson (City of Niagara Falls Representative) Commissioner Appointed December 1, 1994 Term expires November 30, 2002

Donna Lailey, Commissioner Appointed May 20, 1996 Term expires May 19, 2002

Wayne Redekop, (Town of Fort Erie Representative) Commissioner Appointed December 1, 1997 Term expires November 30, 2002

Back row, left to right:

Gary F. Burroughs, (Town of Niagara-on-the-Lake Representative) Commissioner Appointed December 1, 2000 Term expires November 30, 2002 Kenneth R. Green, Commissioner Appointed May 20, 1996 Term expires May 19, 2002

Marvin Kriluck, Commission Solicitor

R.F. Brooker, Assistant General Manager & Sr. Dir. Corporate Services

Bob Saracino, (Regional Municipality of Niagara Representative) Commissioner Appointed December 1, 2000 Term expires November 30, 2002

Absent:

Frank B. Leslie Commissioner Appointed June 30, 2000 Term expires June 29, 2003

2002 ECONOMIC PERFORMANCE

Niagara Falls is in the midst of a major transition, as tourism growth remains stalled following the tragic events of September 11, 2001. While NPC attendance increased by a modest 1%, this increase was due primarily to the launch of our *Legends on the Niagara* golf complex and an early opening of Maid of the Mist Steamboat Company Ltd. In fact, even with the opening of Legends, NPC attendance figures remained close to those experienced by the Commission during the 1998 tourism season.

NPC's "visitor mix" has also been significantly impacted by 9/11, with fewer U.S. and international patrons now visiting the Niagara region. In their place NPC has realized higher domestic visitations, however, these visitors or "day-trippers," tend to spend considerably less on average, than do our American and international patrons.

As well, seasonality and repeat visitation continue to remain two of the biggest identifying factors when examining the type of individual who visits our Parks and attractions. Over 70% of travel to Niagara occurs during the warmer months of May to September, while first time visitors account for only 15% of the total number of visitations to this region.

In response, NPC launched a series of new events and festivals, such as the successful Spring Festival and the Winter Festival of Lights, to increase visitation and its associated benefits during the traditionally slow shoulder-season periods. This past year NPC partnered with the Wine Council of Ontario, Niagara Falls Tourism, The Canadian Tourism Commission and the Ontario Tourism Marketing Partnership to host the Niagara Food and Wine Classic, thereby filling a visitation void that existed during the month of September.

This past year Niagara Parks also experienced greater competition for visitor spending in areas such as attractions, restaurants and retail offerings. This is a result of the tremendous economic growth that has occurred following the government's decision to proceed with the Casino Niagara project in 1997. Since that time the rate of growth in both new attraction development and the upgrading of existing facilities has been staggering. NPC has in many instances failed to keep pace, leaving our sites and attractions out of date and less competitive to those found outside the Park.

As a result, NPC gross revenues for 2002, while up to over \$83 million still fell short of our expected target. Revenue shortfalls can be attributed to less than ideal weather conditions that affected our launch of Legends on the Niagara golf complex, as well as less than expected revenues earned at our Table Rock retail complex.

Retail sales at Table Rock declined by \$1.7 million this past year, leading NPC to initiate changes at our retail outlets for the 2003 tourism season. These changes will be based on recent NPC consumer research that found visitors from near markets locales were seeking authentic collectible gifts instead of the typical souvenirs sought by previous years' patrons. Consumer research has also

identified a significant increase in the purchase intent of our NPC Passport packages if the Maid of the Mist were included in this package. In response, NPC will launch a new "Authentic Falls Experience Passport" in 2003 that will include the Maid of the Mist and other popular NPC Falls attractions, for our visitors' enjoyment.

To further meet the demands and wishes of our diverse tourism clientele, NPC will embark upon a comprehensive 10-year development plan for the future. This plan will address NPC's specific needs in areas such as transportation management, re-investment in new facilities and attraction development and our ability to adapt to Niagara's ever changing Falls landscape. More importantly, once completed, the plan will serve as our guide to position NPC as a vibrant and relevant player in Niagara's tourism future.

2002 ACHIEVEMENTS

- Gross revenues increased from \$77,044,000 to \$83,619,205
- Net profit reached \$1,638,980 for the year
- Attendance increased slightly to 5,296,251 compared to 5.132.493 in 2001
- In 2002 NPC employed 2065 staff (325 full-time staff and 1,740 seasonal staff)
- This past fiscal year NPC remitted \$4.3 million in Retail Sales Tax to the Province
- NPC provided grants in lieu of taxes to our adjoining municipalities (City of Niagara Falls, Town of Niagara-on-the-Lake, Town of Fort Erie) totalling close to \$900,000 in 2002
- Legends played host to approximately 55,000 rounds of golf and garnered \$7 million in revenues. More encouraging is the fact that over 13,000 tournament rounds have already been booked for the 2003 golf season
- A new Mosaiculture Garden was launched as part of an expansion to NPC's Queen Victoria Park Greenhouse attraction, achieving over 200,000 visitors and extensive media coverage during its opening as part of the Spring Festival in May
- Two new food outlets were opened, the Cataract Café at Table Rock and an Internet café at the Clifton Gate store called the Coffee Connection
- As an extension of our educational programming, guided tours
 were launched in August at the Sir Adam Beck 2 Generating
 Station, featuring a 30-minute guided tour, interactive displays,
 video presentation and a specialty retail store
- Sponsorship sales expanded in a challenging year, with key business partnership arrangements being reached with companies such as Kodak, AT&T, Coca-Cola, Molson Breweries and Nestlé

NOVEMBER 2001

Alliance for Conservation

On Thursday November 22nd, The Niagara Parks Commission, Niagara College and the Niagara Peninsula Conservation Authority formed an environmental alliance dedicated to the promotion of a healthy and sustainable environment. This alliance formalizes the existing partnerships between each organization and recognizes their combined efforts in environmental stewardship and protection in Niagara.

DECEMBER 2001

NPC launches Dinner Theatre at Queenston Heights Restaurant

Outstanding first-rate entertainment has been brought to the stage as NPC and the Niagara Grand Dinner Theatre have partnered together to bring Dinner Theatre performances to Queenston Heights Restaurant. This new offering, held during the fall and winter months has been a great success for NPC, primarily with our traditional tour bus operators and local community members who patronize Queenston Heights Restaurant.

JANUARY 2002

Niagara Falls Chamber of Commerce – Business After 5:00 PM Reception

In his annual address to the business community of Niagara, Chairman Merrett spoke of the changing nature of Niagara's tourism industry. In his speech entitled Fostering Tourism Growth in Niagara, the Chairman described NPC's plans for the upcoming year and how NPC was preparing to meet the challenges of the future.

FEBRUARY 2002

World Youth Day Cross arrives in Niagara

As part of World Youth Day celebrations, the World Youth Day Cross made its way to Niagara as part of its cross-country journey of faith and hope. As part of the celebrations, parishioners from southern Ontario, western New York and Pennsylvania gathered at Table Rock for a final pilgrimage with the Cross prior to its departure from the Niagara region.

MAR CH 2002

School of Horticulture Graduation and Awards Ceremony

On Saturday March 30th, NPC presented its 2002 School of Horticulture graduating class with their well-earned diplomas and graduating pins. The class of 2002 was comprised of: Russell Van Wijngaarden, Carol Penner, Liane Van Blyderveen, Kyra Fowler, Sarah Rosel Simpson, John Backer, Steve Schuler, Carrie Anderson, Rae Larson, Natasha Abbas, Sara Henderson.

APRIL 2002

Canada/U.S. Border Issues Roundtable

As a result of heightened security measures taken at our Canadian/U.S. border crossings, NPC hosted a meeting of tourism officials and political representatives from both countries to discuss potential solutions to the border grid-lock that has been taking place at Niagara's four international border crossings.

MAY 2002

Spring Festival in Niagara Parks

This month saw NPC launch its new Spring Festival - a 6-week extravaganza designed to extend the tourism season in Niagara. Events included our ever-popular Blossom Festival Parade and the opening of a new Mosaiculture Garden at the Queen Victoria Park Greenhouse. Mosaiculture Garden featured phenomenal designs and floral creations of a 3 dimensional format. Over 35 spectacular, larger than life creations, in 10 Canadian themed collections, were displayed in the Garden for the enjoyment of our visitors.

JUNE 2002

Legends Opening

Years of planning, construction and dedication by NPC staff were finally realized as Legends on the Niagara, NPC's premier 45-hole golf complex, officially opened on June 17th 2002.

United Way Staff Picnics

The kick-off to NPC's fundraising drive started with a traditional NPC staff picnic in June and by the time the fundraising campaign was over, NPC and its staff had contributed over \$ 62,000 to the United Way of Niagara.

JULY 2002

Staff Commendations

On July 19, Chairman Merrett presented staff commendations to Antonio Iannuzzi and Michael Mowers, for rescuing their co-worker Peter Beli from the Niagara River. A non-swimmer, Peter ended up in the water on May 7th when his mower malfunctioned and backed him into the river near the NPC Marina.

AUGUST 2002

Niagara Parks 2002 Student Awards

Niagara Parks awards scholarships yearly to seven summer student employees in recognition of their academic success, community involvement and work performance. This summer scholarship were presented to: Melissa Agnew, Jordan Gawley, Paul Fratangelo, Bojan Elazar, Natalie Audibert, Andrea Morningstar and Maggie Clegg.

SEPTEMBER 2002

Niagara Food & Wine Classic

Niagara has become North America's fastest growing wine and culinary destination. As a result, NPC has partnered with the Wine Council of Ontario, Niagara Falls Tourism, The Canadian Tourism Commission and the Ontario Tourism Marketing Partnership to launch a spectacular celebration of Niagara's culinary delights and finest wines. Held over a three-day period, this newest event is a collective effort among tourism operators to extend the tourist season and offer new and different programs that will draw visitors to Niagara.

OCTOBER 2002

Adam Beck Tours Officially Opened

On Wednesday October 16th, NPC and its partner Ontario Power Generation officially opened and celebrated the return of public tours at the Sir Adam Beck 2 Generating Station. This tour allows visitors the opportunity to look back at the history of a project that helped shape Niagara and was, at that time, the largest construction project ever undertaken in North America.

Doors Open Niagara

Following on a concept first developed in Scotland in 1990, The Ontario Heritage Foundation launched this program to invite local residents and visitors alike to discover first-hand Ontario's hidden heritage treasures. As part of Doors Open Ontario, NPC allowed guests the opportunity to visit, for free, several of our sites including Oak Hall, Mather's Arch, the Mackenzie Heritage Printery Museum and Old Fort Erie.

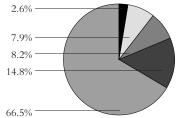
Cathy Sherk Named Top Teaching Pro in Ontario

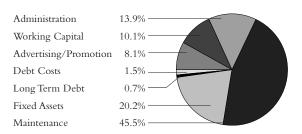
NPC's own Cathy Sherk, Legends Head Teaching Professional, won the 2002 Ontario Teaching Professional Award at the Ontario Professional Golf Association show held on October 30th. Cathy played on the LPGA tour from 1979 to 1985 and is a member of both the Canadian and Ontario Golf Hall of Fame.

Where Commission Dollars Came From

Where Commission Dollars Went



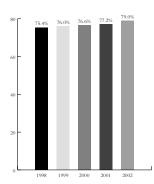




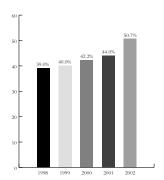
COMPARATIVE PERFORMANCE ~ Gift Shops, Restaurants, and Attractions (\$`000)

	2002	% Of Sales	2001	% Of Sales
Income	\$ 74,364	100.0	\$ 68,137	100.0
Cost of Goods Sold	15,615	21.0	15,539	22.8
Gross Profit	\$ 58,749	79.0	\$ 52,598	77.2
Operating Expenses including Depreciation	37,727	50.7	29,948	44.0
Net Income Before Administrative Overhead	\$ 21,022	28.3	\$ 22,650	33.2

The above schedule indicates that the Commission has performed very well in purchasing goods for resale. Of significant note is the favourable increase in gross profit percentage over the past five years.



The increase in operating expenses for 2002 includes the cost of our launch of Legends on the Niagara golf facility this year. Operating expenses for the past five years as a percentage of total sales are as follows:



Attendance - Attractions, Golf Courses and Historic Sites

	2002	2001	Increase or (Decrease)
Attractions			
Maid of the Mist Elevator	1,821,271	1,761,598	59,673
Journey Behind the Falls	1,120,047	1,099,256	20,791
Butterfly Conservatory	563,876	559,437	4,439
Spanish Aero Car	209,075	215,701	(6,626)
Great Gorge Adventure	181,148	162,698	18,450
Greenhouse-Queen Victoria Park	210,084	206,626	3,458
Attractions Total	4,105,501	4,005,316	100,185
Golf			
Oak Hall Par 3 Golf Course	13,020	13,561	(541)
Whirlpool Golf Course	39,498	42,471	(2,973)
Legends on the Niagara	72,424	_	72,424
Golf Total	124,942	56,032	68,910
Historic Sites			
Old Fort Erie	27,788	34,221	(6,433)
Sir Adam Beck	11,565	_	11,565
Laura Secord Homestead	9,986	13,075	(3,089)
Mackenzie Heritage Printery	5,716	8,421	(2,705)
McFarland House	4,972	6,578	(1,606)
Total Historic Sites	60,027	62,295	(2,268)
Falls Incline Railway	751,123	753,109	(1,986)
People Movers	254,658	255,741	(1,083)
Total	5,296,251	5,132,493	163,758
Parking Lots - Number of Vehicles			
	2002	2001	Increase or (Decrease)
Rainbow Bridge Parking Lot	* _	14,157	(14,157)
Falls Parking Lot	437,468	442,935	(5,467)
Greenhouse Parking Lot	35,937	33,917	2,020
Rapids View Parking Lot	65,972	69,807	(3,835)
Total	539,377	560,816	(21,439)

^{*}Closed due to Rainbow Bridge construction

THE NIAGARA PARKS COMMISSION

MANAGEMENT REPORT

The accompanying financial statements are the responsibility of the management of The Niagara Parks Commission.

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting policies. Financial statements are not precise since they include certain amounts based on estimates and judgements. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects.

The Commission maintains a system of internal accounting and administrative control that is designed to provide reasonable assurance the financial information is relevant, reliable and accurate and that the Commission's assets are properly accounted for and adequately safeguarded.

The appointed Commission is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

The Commission meets periodically with management to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, and to satisfy itself that each party is properly discharging its responsibilities.

The financial statements have been audited by Crawford, Smith and Swallow Chartered Accountants LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the Commission, the Minister of Tourism and Recreation and the Provincial Auditor. Crawford, Smith and Swallow Chartered Accountants LLP has full and free access to the Commission.



John A. M. Kernahan General Manager January 24, 2003

My My Sacyal

Neil McDougall, CMA Senior Director, Finance and Information Technology January 24, 2003

AUDITORS' REPORT

To The Niagara Parks Commission, the Minister of Tourism and Recreation and the Provincial Auditor

Pursuant to the Niagara Parks Act which provides that The Niagara Parks Commission, an agency of the Crown, shall be audited by the Provincial Auditor or an auditor designated by the Lieutenant Governor in Council, we have audited the balance sheet of The Niagara Parks Commission as at October 31,2002 and the statements of operations, equity and cash flows for the year then ended. These financial statements are the responsibility of 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 misstatement. 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 financial statements present fairly, in all material respects, the financial position of the Commission as at October 31, 2002, the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Granfur, Quie J Queen

Crawford, Smith and Swallow Chartered Accountants LLP January 24, 2003, Niagara Falls, Ontario

Assets	2002	2001
	\$	\$
Current Assets		
Cash	1,263,208	1,493,614
Accounts receivable		
Land rent	97,469	2,350,056
Sundry	3,101,551	1,779,690
Inventories		
Saleable merchandise	4,239,668	3,568,438
Maintenance and other supplies	1,328,588	1,203,010
Prepaid expenses	290,449	121,029
	10,320,933	10,515,837
Fixed Assets - note 2	137,107,798	136,076,447
	147,428,731	146,592,284
Liabilities and Equity		
Current Liabilities		
Bank loan	6,000,000	3,000,000
Accounts payable	5,267,720	9,304,506
Accrued payroll	1,366,856	1,040,917
Mortgage payable		300,000
	12,634,576	13,645,423
Post-Employment Benefits - note 3	2,779,523	2,571,209
Commitments - note 4		
Contingencies - note 5		
Equity – Statement 2	132,014,632	130,375,652

147,428,731

see accompanying notes

Signed on behalf of the Commission

Brolonetti Okto lagam.

Chairman

Vice-chairman

146,592,284

	2002	2001
	\$	\$
Equity, Beginning of Year	130,375,652	129,273,879
Net Income for the Year - Statement 3	1,638,980	3,417,752
Change In Accounting Policy	_	(2,315,979)
Equity, End of Year	132,014,632	130,375,652

	2002	2001
	\$	\$
come		
Gift shops, restaurants and attractions - Schedule 1	74,363,869	68,137,118
Land rent	5,416,415	5,299,469
Commissions, rentals and fees	2,891,000	2,739,471
Premium on United States funds – net	691,292	631,338
Interest	63,868	135,938
Gain on disposal of fixed assets - net	175,816	56,384
Sundry income	16,945	44,718
	83,619,205	77,044,436
xpenses		
Gift shops, restaurants and attractions - Schedule 1		
Cost of goods sold	15,614,741	15,539,056
Operating expenses	34,403,537	27,525,807
Depreciation	3,323,344	2,421,883
Maintenance	16,977,710	16,486,896
Administrative and general	5,166,057	5,025,846
Marketing and promotion	2,622,706	2,904,238
Customer service	383,027	443,773
Loan interest	543,255	314,014
	79,034,377	70,661,513
let Income for the Year before Depreciation		
f Non-Income Producing Assets	4,584,828	6,382,923
Depreciation of Non-Income Producing Assets	2,945,848	2,965,171
let Income for the Year	1,638,980	3,417,752

	2002	2001
	\$	\$
Operating Activities		
Net income for the year	1,638,980	3,417,752
Charges against income not requiring an outlay of funds		
- depreciation	6,478,205	5,494,475
- gain on disposal of fixed assets – net	(175,816)	(15,318)
	7,941,369	8,896,909
Net change in non-cash working capital balances related		
to operations - note 6	(746,349)	2,905,490
Funds provided by operating activities	7,195,020	11,802,399
Investing Activities		
Fixed asset acquisitions	(7,527,979)	(20,140,315)
Proceeds on sale of fixed assets	194,239	279,919
Funds used by investing activities	(7,333,740)	(19,860,396)
Financing Activities		
Repayment of long-term debt	(300,000)	(300,000)
Increase in post-employment benefits	208,314	255,230
Funds used by financing activities	(91,686)	(44,770)
Decrease in Cash Position	(230,406)	(8,102,767)
Cash Position, Beginning of Year	1,493,614	9,596,381
Cash Position, End of Year	1,263,208	1,493,614

SCHEDULE 1

	2002	2001
	\$	\$
Income		
Souvenirs, china and post cards	23,382,307	25,433,308
Food and refreshments	16,437,848	15,148,458
Beer, liquor and wine	2,325,150	1,680,357
Confectionery	3,116,103	3,145,907
Fares and admission	26,499,054	21,404,860
Rentals	1,023,382	371,778
Sundry	1,580,025	952,450
	74,363,869	68,137,118
Cost of Goods Sold		
Souvenirs, china and post cards	8,658,055	9,533,463
Food and refreshments	4,461,995	4,022,544
Beer, liquor and wine	661,577	454,663
Confectionery	1,217,187	1,239,169
Sundry	615,927	289,217
	15,614,741	15,539,056
Gross Profit	58,749,128	52,598,062
Operating Expenses		
Salaries and wages	14,837,150	12,699,555
Employee benefits	2,629,630	2,348,901
Advertising	1,387,406	767,914
Fuel, power, water and laundry	1,373,927	1,171,656
General	4,467,962	3,577,535
Maintenance of buildings, equipment and vehicles	2,645,265	2,511,433
Maintenance of grounds	4,693,339	2,402,632
Grants in lieu of municipal taxes	823,336	808,167
Distribution Centre expense	1,545,522	1,238,014
	34,403,537	27,525,807
Net Income before Depreciation	24,345,591	25,072,255
Depreciation of Income Producing Assets	3,323,344	2,421,883
Net Income Exclusive of any Portion of the		
Administrative Overhead of the Commission	21,022,247	22,650,372

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements of The Niagara Parks Commission (the "Commission") are the representations of management prepared in accordance with Canadian generally accepted accounting principles, consistently applied. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. These have been made using careful judgement in the light of available information. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below:

Inventories

Inventories of saleable merchandise are valued at lower of cost (first-in, first-out) and net realizable value.

Fixed assets

All fixed assets are recorded at cost. Depreciation has been recorded using the straight-line method, with rates from 2.5 to 20 per cent for buildings, roadways and structures, 10 to 25 per cent for equipment and furnishings and from 8 to 40 per cent for vehicles.

2. FIXED ASSETS

		Accumulated		
	Cost	Depreciation	2002	2001
	\$	\$	\$	\$
Land	13,555,108	-	13,555,108	13,555,108
Land improvements	17,091,418	-	17,091,418	_
Buildings, roadways				
and structures	144,232,447	50,091,395	94,141,052	81,509,792
Equipment and furnishings	24,250,852	14,304,327	9,946,525	6,639,609
Vehicles	7,949,108	6,756,596	1,192,512	1,461,106
	207,078,933	71,152,318	135,926,615	103,165,615
Capital works in progress	1,181,183	_	1,181,183	32,910,832
	208,260,116	71,152,318	137,107,798	136,076,447

3. Post-Employment Benefits

The Commission provides a defined employee future benefit, payable on termination to certain full-time employees with a minimum of five years of service. The benefit is calculated on the basis of one week's remuneration, at the time of termination, for every year of full-time service provided to the Commission. See note 8 for other post-employment benefits.

Defined Benefit Plan Information

	2002	2001
	\$	\$
Employee benefit plan assets	_	_
Employee benefit plan liabilities	2,779,523	2,571,209
Employee benefit plan deficit	2,779,523	2,571,209
Benefit obligation recognized on the balance sheet		
Benefit obligation, beginning of the year	2,571,209	2,315,979
Expense for the year	341,454	327,952
Benefits paid during the year	(133,140)	(72,722)
Benefit obligation, end of year	2,779,523	2,571,209

The main actuarial assumptions applied in the valuation of the defined benefit plan are as follows:

Interest (Discount) Rate – The accrued obligation and the expense for the year were determined using a discount rate of 6%. **Salary Levels** – Future salary and wage levels were assumed to increase at 4% per annum.

4. Commitments

The Commission is committed to spending approximately \$ 2,330,000 on capital projects in the next year.

5. Contingencies

The Commission is in litigation pertaining to certain claims for which the likelihood of loss is not determinable and the amount not reasonably estimable. Accordingly, no provision for these claims is reflected in the financial statements.

6. Statement of Cash Flows

Changes in working capital components include:

	2002	2001
	\$	\$
Accounts receivable	930,726	(941,039
Inventories	(796,808)	(54,794
Prepaid expenses	(169,420)	120,613
Bank loan	3,000,000	3,000,000
Accounts payable and accrued payroll	(3,710,847)	780,710
	(746,349)	2,905,490
Interest		
	2002	2001
	\$	\$
Interest received	63,868	135,938
Interest paid	535,215	298,644

7. Operating Leases

The Commission leases vehicles and equipment under operating leases expiring in various years through 2005. The total obligation under operating leases amounts to approximately \$ 1,863,494.

Future payments for each of the next three years are as follows:

	\$
2003	687,157
2004	656,827
2005	519 510

8. Other Post-Employment Benefits

The Commission provides pension benefits for all its permanent employees (and to non-permanent employees who elect to participate) through the Public Service Pension Fund (PSPF) and the Ontario Public Service Employees' Union Pension Fund (OPSEU Pension Fund). These are multi-employer plans established by the Province of Ontario. These plans are accounted for as defined contribution plans, as the Commission has insufficient information to apply defined benefit plan accounting to these pension plans.

The Commission's obligations related to the PSPF and OPSEU Pension Fund was \$ 1,214,516 (2001 - \$ 1,140,146) and is included in the administrative and general expenses in the Statement of Operations and employee benefits in the Schedule of Operations - Gift Shops, Restaurants and Attractions.

The cost of post-employment, non-pension benefits are paid by the Management Board Secretariat and are not included in the Statement of Operations.

See note 3 for details on the Commission's defined employee future benefit plan.

NOTES TO FINANCIAL STATEMENTS ~ for the year ended October 31, 2002

9. Financial Instruments

Credit Risk

The Commission is exposed to a credit risk by its customers. However, because of the large number of customers, credit risk concentration is reduced to a minimum.

Currency Risk

The Commission realizes approximately 16.33% (2001 - 18.71%) of its sales in foreign currency. Consequently, some assets and revenues are exposed to foreign exchange fluctuations.

Cash Flow Risk

The Commission has a bank loan payable bearing interest at prime less 50 basis points. Accordingly, the Commission is exposed to cash flow risks relating to potential fluctuations in market interest rates.

10. Related Party Transactions

The Commission exercises significant influence over the Niagara Parks Foundation (the "Foundation") by virtue of its ability to appoint some of the Foundation's Board of Directors. The Foundation is incorporated under the Ontario Corporations Act and is a registered charity under the Income Tax Act. The purpose of the Foundation is to promote conservation, environmental, historical, performing arts, and musical initiatives within the lands of The Niagara Parks Commission. Net resources of the Foundation amounted to \$42,158. During the year, the Commission expended \$32,688 on behalf of the Foundation. These amounts expended included advertising and promotion, computer software, office supplies, professional fees, telephone and website development.

The net assets and results of operations of the Foundation are not included in the statements of the Commission. Separate financial statements of the Foundation are available upon request.

11. Surplus Funds

Pursuant to Section 16(2) of the Niagara Parks Act any surplus moneys shall, on the order of the Lieutenant Governor in Council, be paid to the Minister of Finance and shall form part of the Consolidated Revenue Fund.

PUBLIC SECTOR SALARY DISCLOSURES

Employees Paid \$100,000 or more in 2001

Prepared in accordance with the Public Sector Salary Disclosure Act, 1996

Record of Employees' 2001 Salaries and Benefits

Name	Position	Salary Paid	Taxable Benefits
John Kernahan	General Manger	\$131,114.81	\$ 8,717.04
Robert Brooker	Assistant General Manager	\$120,432.64	\$ 291.38
Robert McIlveen	Senior Director - Community Services	\$102,838.25	\$ 248.48
Nicholas Murphy	Senior Director – Technical Services	\$102,838.25	\$ 248.48
Alois Poltl	Senior Director – Food Services	\$102,838.25	\$ 943.98
Joel Noden	Senior Director - Retail, Attractions & Heritage	\$102,838.25	\$ 248.48
Murray Mold	Senior Director - Marketing & Business Development	\$100,898.84	\$ 248.48