

2004, a year of

Renewal



NIAGARA PARKS 2004 ANNUAL REPORT



Niagara is a region steeped in history and blessed 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 Operational Enterprise 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 *2004: A Year Of Recovery, Yet Challenges Remain*



Jim Williams, Chairman

The Niagara Falls tourism industry and The Niagara Parks Commission experienced a sense of renewal in 2004, as visitations to the province and its various attractions and tourist sites began to slowly recover from the negative effects of the 2003 tourism season.

As everyone is aware, the 2003 season was unlike anything ever experienced before in the tourism community. In response, NPC instituted an operating approach designed to restore the overall financial performance and profitability of the Commission. Many tough decisions had to be made and these actions combined with an increase in tourism visits allowed NPC to once again be profitable this year. Internal restructuring, strategic price increases, and more importantly attaining higher visitor spend from individuals already in the Park were major factors contributing to this financial turnaround.

The key for NPC now is to capitalize on this rebound, particularly when signs of a sustained tourism recovery remain tenuous at best. Unstable world events, increasing energy costs, border delays and the rising Canadian dollar will continue to be negative forces challenging our industry. As a result, NPC must look for ways to renew and expand its existing attractions and operations to ensure growth and economic stability in the years ahead.

These plans will be consistent with the Provincial Government's new Tourism Strategy, which was launched in June 2004. Developed with the assistance of tourism communities such as Niagara, this Strategy provides a comprehensive approach to positioning Ontario and Niagara as world-class, visitor friendly destinations.

It was with these goals in mind that NPC began to investigate new ways in which to enhance our visitor experience this past season. One of our first success stories has been the effect our two newly constructed Welcome Centres in Queen Victoria Park (QVP) have had in furthering our relationship with our visitors.

These new Centres have given the Commission the ability to properly welcome visitors to Niagara Parks, answer their questions and provide them with details on all there is to do and see at NPC. These Centres helped encourage greater visitor length of stay and have resulted in increased sales of our popular Niagara Falls & Great Gorge Adventure Pass.

Changes were also made at our Victoria Park Restaurant in 2004. Research had told us our visitors were looking for distinctly themed, family-oriented dining options. As a result, Victoria Park

Restaurant has been redeveloped into Queen Victoria Place, with newly named restaurants Edgewaters Tap & Grill and the Riverview Market Eatery, providing guests with a more relaxed and family affordable dining experience.

To further improve the visitor experience, a redesign of the lower level of NPC's Maid of the Mist Plaza transformed the area into a nautically themed Marketplace. Over 1.7 million visitors travelled through the newly designed venue in 2004, enjoying new retail and food and beverage outlets, as well as daily live musical performances.

In terms of golf, NPC had the privilege of being named host site for the 2004 BMO Financial Group Canadian Women's Open. From July 5th through to the 11th, the world's best female golfers competed at our Legends on the Niagara's Battlefield course. Both the course and Niagara did itself proud as we received rave reviews from everyone involved in putting this tournament together.

These updated facilities and events not only helped NPC reach a number of the goals set out in the Province's new Tourism Strategy, they were also instrumental in the restoration of NPC's financial stability. Despite a number of these achievements, challenges do remain. Chief among these is our constant need to balance our preservation and economic development roles. It is a tall task, yet one the Commission has continually strived to achieve for 119 years.

As I conclude my first report as Chairman, let me take this opportunity to thank both the Commissioners and staff for their tireless efforts and commitment to this organization. Working together, I look forward to meeting the challenges of the future and to ensuring NPC remains one of the most prominent tourism destinations in both the Ontario and Canadian tourism scenes.

A handwritten signature in black ink, appearing to read 'Jim Williams'. The signature is stylized with large loops and a long horizontal stroke extending to the right.

Jim Williams, Chairman
The Niagara Parks Commission

The Commissioners



Back row, left to right:

John Kernahan,
General Manager

Marvin Kriluck
Commission Solicitor

Frank B. Leslie
Commissioner
Appointed June 30, 2000
Term expires June 29, 2006

Gary F. Burroughs,
(Town of Niagara-on-the-Lake Representative)
Commissioner
Appointed December 1, 2000
Term expires November 30, 2004

Bob Saracino,
(Regional Municipality of Niagara Representative)
Commissioner
Appointed December 1, 2000
Term expires November 30, 2004

Front row, left to right:

Alfred Liu,
Commissioner
Appointed February 27, 2003
Term expires February 26, 2006

Rick Dykstra,
Commissioner
Appointed February 27, 2003
Term expires February 26, 2006

Ted Salci,
(City of Niagara Falls Representative)
Commissioner
Appointed February 25, 2004
Term expires November 30, 2004

Jim Williams,
Chairman
Appointed March 10, 2004
Term expires March 9, 2007

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, 2006

Anna T. Corfield-Tartaglia,
Commissioner
Appointed August 1, 1997
Term expires July 31, 2006

Anthony Rodway,
Commissioner
Appointed September 24, 2003
Term expires September 23, 2006

Absent:

Wayne Redekop,
(Town of Fort Erie Representative)
Commissioner
Appointed December 1, 1997
Term expires November 30, 2004

2004 Economic Performance

The 2004 season was a year of recovery for both The Niagara Parks Commission and the Niagara Falls tourism industry. However, continued sluggishness in the tourism economy, added competition and an aging infrastructure all pose serious roadblocks and challenges the Commission must address if it is to remain financially viable and relevant as a tourism destination.

While leading tourism indicators continue to point in the right direction, it will still take several years for both the industry and NPC to return to the position of financial stability experienced just a few short years ago. For instance, while tourism visitations and Park revenues both rose in 2004, they remain well below levels experienced as recently as 2002. This past season for example, retail and attraction revenues generated within the Park increased by 28% over the previous year. However, even after attaining this double-digit increase, these revenues still remained 6% below the retail and attraction revenues earned by NPC in 2002.

Even more disconcerting is the fact that American visitation, which normally accounts for approximately 54% of all NPC retail revenue and over 72% of all NPC Pass sales, continues to remain well below levels reached in previous years. In fact, according to data supplied by the Ontario Ministry of Tourism and Recreation, total border crossings into Ontario from the United States for the period January to November 2004 decreased by 2.4% from 2003 and by 18.3% from the same period in 2002. Although the Ministry is forecasting year-over-year growth in U.S. visitations through to 2008, these visitations will not match those achieved by the Province in 2002.

One positive trend is the fact international visitations have begun to rebound. Total overseas border crossings to Ontario increased by 37.4% for the period January to November 2004. This is also an increase of 5.7% from the same period in 2002. These results are encouraging since international visitors account for approximately 33% of all retail sales within the Park. Again, these results remain



very fluid given the fact that international visitations decline dramatically when events such as 9/11, SARS and Mad Cow Disease become prominent issues in the world's media.

Another challenge confronting the industry is the fact that as areas across North America begin to improve and aggressively promote their regions as tourist destinations, added competition is felt in all our efforts to lure tourists back to the Niagara region.

In fact, in the most recent Travel Intention Survey issued by the Ministry of Tourism and Recreation, the key reason for the lack of interest in visiting Niagara Falls, among both Canadian and American visitors, is the perception that there is nothing new to do in Niagara. It's the "I've been there before" factor. In the survey 55% of Canadians and 53% of Americans say they have been to Niagara before, so there is no need to return. More troubling is the fact that 29% of Canadians and 34% of Americans indicated a general lack of interest in visiting this destination.

This overall growth in competition is felt more dramatically because it is occurring at a time when visitations are in a period of high instability. From a planning and development perspective, this has resulted in the Commission deciding not to pursue major



2004 Economic Performance

development projects in the next year, as was considered in 2004 with The Great Gorge Interpretive Tour. Although the Commission had prepared a very strong business case in support of this project, following public consultations it became clear the local community did not support this new attraction. As a result, the project was cancelled in August 2004.

Instead, NPC will be looking for ways to generate growth through investments in its current attractions, sites and facilities. For example, the addition of two new Welcome Centres in Queen Victoria Park helped produce a 116% increase in total Park Pass sales during the months of May to August 2004. Due to this, the Commission will investigate further locations for this type of Centre, including at our picturesque Botanical Gardens, as was first recommended in its very own Master Plan.

At our Botanical Gardens, we will be looking to update our Master Plan for the property. More gardens, new species of flowers, plants and new greenhouses, are just some of the ideas the Plan has envisioned for this beautiful location.

At our golf facilities we will be looking to enhance our Play and Stay opportunities in cooperation with our partners on the Niagara Golf Trail. We will be actively pursuing expansion in the number of courses represented on the Trail as well as new Play and Stay package opportunities for out-of-town visitors. We will also be working with our partners and the National Golf Course Owners Association to introduce a “code of conduct” that allows all operators to compete on equal terms while uniting as a single entity in attracting out-of-town golfers.

We also want to do more to promote junior golf. Legends on the Niagara is a “Future Links Licensed Facility,” but we can do more. A new training and instruction program has therefore been developed and it will be introduced next year to encourage junior golfers and to provide them with the opportunity to hone their skills at our Chippawa golf course.

There will also be an increased emphasis on infrastructure renewal, along with initiatives designed to improve the organization’s overall communications capabilities and relationships with the communities we call home.

Despite the economic renewal experienced this past season, the key challenge facing the Commission is its economic sustainability over the long-term. Significant strides were made to combat the negative effects of 2003, however NPC must remain vigilant and committed to maintaining its financial stability if it is to be profitable in the years to come.

2004 Fast Facts

- Gross revenues increased from \$65 million in 2003 to over \$76 million
- NPC attained a net profit of \$3.8 million
- Overall attendance at NPC’s paid attractions, golf courses and historic sites increased by 8%, reaching 4,468,607
- NPC employed 1,670 staff (293 full-time and 1,377 seasonal employees)
- NPC’s payroll was \$31 million
- NPC remitted over \$3.7 million in Retail Sales Tax to the Province
- Operating expenses totalled \$51.4 million, including \$6.8 million used to plant and maintain the numerous gardens and parklands surrounding the Falls
- NPC provided grants in lieu of taxes in the amount of \$907,000 to the City of Niagara Falls, \$26,000 to the Town of Niagara-on-the-Lake and \$16,000 to the Town of Fort Erie
- There were more than 21,000 destination rounds of golf played at NPC’s Whirlpool and Legends on the Niagara golf courses
- Play and stay golf rounds at NPC courses more than doubled from 4,000 in 2003 to over 8,000
- Over 200,000 Niagara Falls & Great Gorge Adventure Passes were sold (160,610 Adult Passes, 41,518 Children Passes)
- Use of the internet (www.niagaraparks.com) helped NPC achieve over \$400,000 in pre-sold on line sales of the Niagara Falls & Great Gorge Adventure Pass



Year In Review



NOVEMBER 2003

NPC Receives Conservation Achievement Award

A Conservation Achievement Award was presented to NPC by the Niagara Peninsula Conservation Authority in recognition of the Commission's efforts and investment in projects within the Niagara watershed. Working in partnership with volunteer groups, local municipalities and federal and provincial agencies, NPC has worked on two key environmental initiatives this past year: the creation of a Niagara River Shoreline Management Plan covering all of NPC's 56 kilometres of river front property; and the restoration of Paradise Grove, a woodlot of environmental, cultural and historic significance located in the Town of Niagara-on-the-Lake.



DECEMBER 2003

Chairman Merrett's Term Ends

Having served since December 1997, Brian Merrett's appointment as Chairman of NPC came to an end on December 9, 2003. Early on in his professional career, Brian sat on the Commission's Board as a representative for the City of Niagara Falls. During his two terms in office, Brian oversaw several important initiatives including the development of the world-class 45-hole golf facility Legends on the Niagara.

JANUARY 2004

Proposed Landscape Plan for Roberts Street Gateway Unveiled

On January 20, 2004 NPC invited members of the public to view and provide comments on its proposed landscape plan for the Roberts Street (Highway 420) Gateway Project. The Commission is currently working with the City of Niagara Falls, Ontario Ministry of Tourism and Recreation, Ontario Ministry of Transportation and the Regional Municipality of Niagara to revitalize the look of Roberts Street, a key "Gateway" into Ontario and Niagara Parks for visitors from Canada and the United States.

FEBRUARY 2004

NPC's Administrative Manager Retires

After 35 years of service, NPC's Administrative Manager Jane Lowrey retired. Hired in September 1969 as an assistant in the Personnel Department, Jane's duties were progressively expanded to support the work of the Assistant General Manager and General Manager of the Commission. In 2002, Jane was appointed to the position of Administrative Manager for the Commission. At the

last Commission meeting prior to her retirement, NPC's Acting-Chairman Archie Katzman presented Jane with a framed print as a thank you for her years of dedication and service.

MARCH 2004

Butterfly Conservatory Renovations Completed

In time to help celebrate March Break, NPC's Butterfly Conservatory reopened its doors to the public on Saturday, March 13. After almost seven years of continual operations, the Conservatory was closed for several weeks in 2004 so that needed renovations and maintenance work could take place. For the reopening, the Conservatory was re-colonized with over 2,000 butterflies representing 30 different species. The re-launch also included special March Break programming designed to teach children the importance of butterflies and their relationship with the plant world.

School of Horticulture Graduation

On Saturday, March 27, graduation and awards ceremonies were held for the students of NPC's School of Horticulture. The graduating class of 2004 included: Matthew Busato, Melanie Gore, Kimberly Boles, Raakel Toppila, Ian Tapper (Valedictorian), Alana MacCallum, Faydra Henry, Barb Lougheed, Liam McCaul, Trevor Swance and Jon Peter.

APRIL 2004

Jim Williams named NPC Chairman

In a ceremony held at Oak Hall on April 16th, Jim Williams was sworn in as the 12th Chairman of The Niagara Parks Commission. Mr. Williams brings a wealth of experience to the position, having worked for the Federal Government of Canada for over 32 years in a variety of senior management positions. During his career, the Government of Canada and many other international governments recognized Jim for his extensive management experience. In his capacity as Chairman, Mr. Williams will help guide the operations of the Commission, an agency tasked with the responsibility of playing an integral role in the tourism economies of Niagara and Ontario.



Year in Review



NPC Releases Mist Study

On April 28, NPC released the findings of a report prepared by engineering consultants Rowan Williams Davies & Irwin Inc., dealing with increased misting in and around Table Rock Point. The study found that the construction of several new high-rise hotels in Niagara Falls resulted in more frequent and uncomfortable misting patterns at the brink of the Canadian Horseshoe Falls (Table Rock). NPC has shared these results with various community stakeholders to ensure environmental impacts are considered before future developments are undertaken.

MAY 2004

NPC and its Parks Employees Reach Contract Settlement

On May 14, NPC Parks employees, members of the Ontario Public Service Employees Union (OPSEU) Local 217, reached a three-year contract agreement with the Commission, averting what would have been the first strike in NPC's history. Earlier in the year, NPC had reached a three-year contract settlement with members of the Niagara Parks Police, who are also represented by Local 217 of OPSEU.

United Way Staff Picnics

May kicked off NPC's fundraising drive in support of the United Way of Niagara. Staff barbecues, casual Fridays and the ever popular Bigga Tomatafest were just some of the events and activities NPC and its staff supported to help raise funds for several worthwhile charities in the community. In 2004, the Commission and its dedicated staff contributed \$54,417.79 to the United Way of Niagara.

JUNE 2004

The Niagara Flower and Garden Show

Together with the Master Gardeners of Niagara, NPC played host to a three-day garden extravaganza at its beautiful Botanical Gardens. From June 11 to 13, over 100 gardening vendors and experts displayed their wares and provided input and advice to thousands of local residents and tourists who attended seminars and purchased the newest in gardening items.



JULY 2004

Meg Mallon Wins 2004 BMO Financial Group Canadian Women's Open

Following up on her win at the U.S. Women's Open, American Meg Mallon captured the 2004 LPGA Canadian Women's title by defeating fellow American Beth Daniels. Played at Legends on the Niagara's Battlefield course, the tournament and course earned rave reviews from the world's best female golfers, with Mallon calling Battlefield "the best conditioned course we have played on all year." Over 40,000 spectators attended the weeklong tournament and over 1,200 volunteers helped make the event a great success.

RiverWalk Music Festival and the Fort Erie Friendship Festival

Fort Erie was the place to be during the July long weekend, as both the RiverWalk Music Festival and the Fort Erie Friendship Festival drew thousands of residents and visitors to the Niagara River Parkway. The RiverWalk Music Festival was organized by the Niagara Chapter of the MS Society of Canada as a fundraising event, while the Friendship Festival celebrated the bonds between Canada and the United States.

Canada's Premiers visit Niagara

On Thursday, July 29, Niagara Falls and Oakes Garden Theatre served as the backdrop for an evening reception of Canada's Provincial and Territorial Premiers. Gathered in Niagara-on-the-Lake for three days of meetings, the nation's Premiers took a much-needed break to enjoy the sights and sounds of Niagara Parks.

Honouring Irish Poet Thomas Moore

More than 200 people gathered along the Niagara River Parkway in Niagara-on-the-Lake for the unveiling of a plaque dedicated to Ireland's national poet, Thomas Moore. NPC property was chosen as the site for a plaque honouring Moore, who 200 years earlier had visited Niagara. Renowned stage actor Colm Wilkinson officially unveiled the plaque.

AUGUST 2004

The Siege of Old Fort Erie

On August 7 and 8, the thrill of battle was experienced during the 18th annual War of 1812 Living History Weekend at Old Fort Erie. Close to 500 re-enactors participated in the event, providing demonstrations of pitched battles that occurred in and around the Fort. Uniform and artillery displays and demonstrations took place, as well as a re-creation of how the soldiers and their families



lived during those times. A ceremony was also held to honour those who fell in the battles.

Niagara Parks 2004 Student Awards

Niagara Parks awards scholarships each year to seven seasonal student employees to recognize their academic success, community involvement and work performance. Presentation of the awards was held at Oak Hall prior to the Commission meeting of Friday, August 20, 2004. This summer's scholarships were presented to: Patrick Keenan (Harris Award), Victoria Betts, Michael Connolly, Daniel DelGobbo, Lauren Gienow, Meredith Kuipers and Margaret Baines (Seibel Award).

SEPTEMBER 2004



Australia's TODAY show goes live from Table Rock

The TODAY program, Australia's top rated breakfast show, broadcast live from Table Rock on Thursday, September 23. In Canada as part of a five-day tour, the TODAY show cast and crew visited Quebec City, Montreal, Toronto, Montebello and beautiful Niagara Falls.

Danish Prince Visits Niagara

On Thursday, September 30, NPC Commissioner Bob Saracino performed the roles of unofficial ambassador and tour guide for a visit to Niagara Parks by Prince Joachim of Denmark. The Prince was attending meetings in Toronto and spent the morning in Niagara Parks, visiting Table Rock and taking in the beauty of the Falls and the surrounding parkland.

OCTOBER 2004

Canada AM show visits the Falls

Not to be outdone by their Aussie counterparts, Canada's top rated breakfast show, Canada AM, broadcast live from Table Rock. Conducted on October 20, the show featured several highlights that visitors could see at the Park, including the nightly Falls Illumination and fireworks. Musical guests Jack Soul also performed during the telecast.

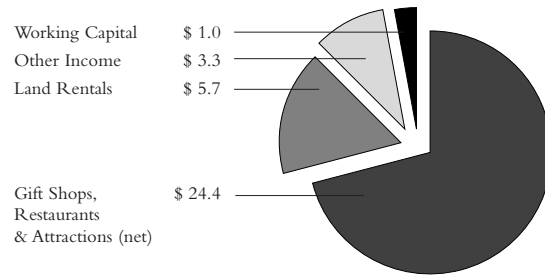
Trans Canada Trail Pavilion Open in Fort Erie

On Saturday, October 23, hundreds of people turned out for the dedication and celebration of the Trans Canada Trail's newest Pavilion, located in Bowen Park in the Town of Fort Erie. This Niagara Pavilion is connected to NPC's 56 km Niagara River Recreation Trail, and showcases the names of local citizens and organizations that have worked to ensure the completion of the Trans Canada Trail, Greater Niagara Circle Route and the Friendship Trail in Fort Erie.

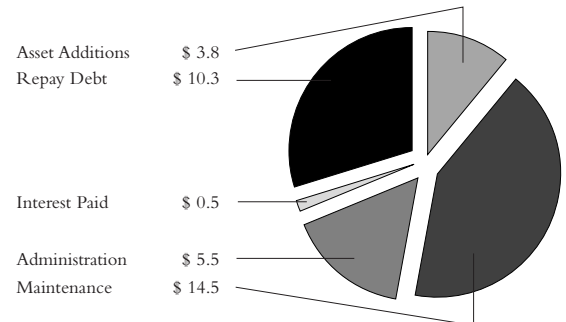


Business Climate

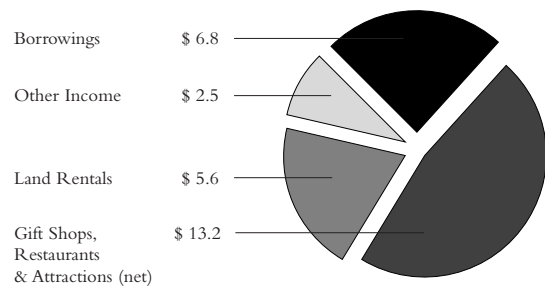
**Where Money Came From: 2004
(\$Millions)**



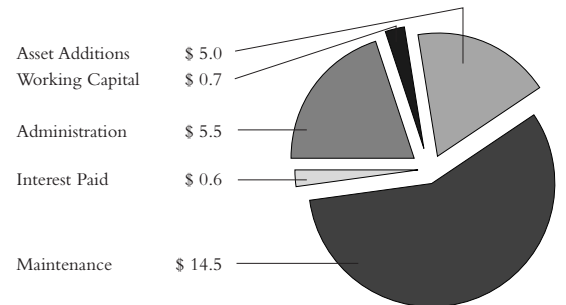
**Where Money Went: 2004
(\$Millions)**



**Where Money Came From: 2003
(\$Millions)**



**Where Money Went: 2003
(\$Millions)**



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

	2004	% Of Sales	2003	% Of Sales
Income	\$ 69,397	100	\$ 57,796	100
Cost of Goods Sold	13,446	19	11,453	20
Gross Profit	\$ 55,951	81	\$ 46,343	80
Operating Expenditures	31,508	45	33,133	57
Net Income Before Administrative Overhead & Depreciation	\$ 24,443	35	\$ 13,210	23

Attraction Attendance

Attendance – Attractions, Golf Courses and Historic Sites

	2004	2003	Increase or (Decrease)
Attractions			
Maid of the Mist Elevator	1,767,494	1,249,773	517,721
Journey Behind the Falls	1,016,594	895,150	121,444
Butterfly Conservatory	502,302	488,346	13,956
Whirlpool Aero Car	136,491	151,659	(15,168)
White Water Walk	214,781	206,396	8,385
Falls Incline Railway	675,685	508,866	166,819
Sir Adam Beck	21,781	26,061	(4,280)
Attractions Total	4,335,128	3,526,251	808,877
Golf			
Oak Hall Par 3 Golf Course	9,006	12,431	(3,425)
Whirlpool Golf Course	37,382	34,017	3,365
Legends on the Niagara Golf Complex	62,804	68,424	(5,620)
Golf Total	109,192	114,872	(5,680)
Historic Sites			
Old Fort Erie	15,682	17,564	(1,882)
Laura Secord Homestead	4,448	5,562	(1,114)
Mackenzie Heritage Printery and Newspaper Museum	2,526	2,832	(306)
McFarland House	1,631	1,863	(232)
Historic Sites Total	24,287	27,821	(3,534)
ATTENDANCE TOTAL	4,468,607	3,668,944	799,663

Vehicle Parking & People Movers

	2004	2003	Increase or (Decrease)
People Movers	242,194	217,293	24,901
Falls Parking Lot	402,254	355,496	46,758
RapidsView Parking Lot	43,409	46,045	(2,636)
Total	687,857	618,834	69,023

Note: Attendance records for the Niagara Parks Greenhouse no longer recorded

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 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 Auditor General. Crawford, Smith and Swallow Chartered Accountants LLP has full and free access to the Commission.



John A. M. Kernahan
General Manager
December 17, 2004



Neil McDougall, CMA
Senior Director, Corporate Services
December 17, 2004

AUDITORS' REPORT

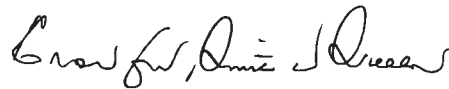
To The Niagara Parks Commission, the Minister of Tourism and Recreation and the Auditor General

Pursuant to the Niagara Parks Act which provides that The Niagara Parks Commission, an agency of the Crown, shall be audited by the Auditor General 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, 2004 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, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Crawford, Smith and Swallow
Chartered Accountants LLP
December 17, 2004, Niagara Falls, Ontario

Balance Sheet ~ as at October 31, 2004


STATEMENT 1


(In thousands of dollars)

Assets	2004	2003
	\$	\$
Current Assets		
Cash	890	1,589
Accounts receivable	2,150	2,755
Inventories		
Saleable merchandise	4,202	4,965
Maintenance and other supplies	1,085	1,326
Prepaid expenses	604	339
	8,931	10,974
Fixed Assets - note 2	128,990	134,326
	137,921	145,300
 Liabilities and Equity		
Current Liabilities		
Bank overdraft - note 3	2,050	
Bank loan		13,000
Accounts payable	4,349	4,300
Accrued payroll	1,579	1,946
Current portion of long-term financing	86	59
	8,064	19,305
Long-Term Financing - note 4	64	45
Post-Employment Benefits - note 5	2,976	2,931
Commitments - note 9		
Contingencies - note 10		
Equity - Statement 2	126,817	123,019
	137,921	145,300

see accompanying notes

Signed on behalf of the Commission:





Chairman

Commissioner

Statement of Equity ~ for the year ended October 31, 2004

STATEMENT 2

(In thousands of dollars)

	2004	2003
	\$	\$
Equity, Beginning of Year	123,019	132,015
Net Income (Loss) for the Year - Statement 3	3,798	(8,996)
Equity, End of Year	126,817	123,019

see accompanying notes

Statement of Operations ~ for the year ended October 31, 2004

STATEMENT 3

(In thousands of dollars)

	2004	2003
	\$	\$
Income		
Gift shops, restaurants and attractions	69,397	57,796
Land rent	5,659	5,572
Commissions, rentals and fees	2,765	2,078
Premium on United States funds – net	460	396
Gain (loss) on disposal of fixed assets – net	(1,979)	22
Sundry income	51	28
	<hr/> 76,353	<hr/> 65,892
Expenses		
Gift shops, restaurants and attractions		
Cost of goods sold	13,446	11,453
Operating expenses	28,637	30,481
Maintenance	12,066	13,443
Administrative and police	7,879	7,922
Marketing and promotion	2,871	2,652
	<hr/> 64,899	<hr/> 65,951
Net Income (Loss) for the Year before		
Undernoted Items	11,454	(59)
Other Items		
Interest expense - net - note 6	471	587
Depreciation - note 7	7,185	6,936
	<hr/> 7,656	<hr/> 7,523
Net Income (Loss) before Non-Recurring Items	3,798	(7,582)
Non-Recurring Items - note 8		(1,414)
Net Income (Loss) for the Year	<hr/> 3,798	<hr/> (8,996)

see accompanying notes

Statement of Cash Flows ~ for the year ended October 31, 2004

STATEMENT 4

	<i>(In thousands of dollars)</i>	
	2004	2003
	\$	\$
Operating Activities		
Net income (loss) for the year	3,798	(8,996)
Charges against income not requiring an outlay of funds		
- change in post employment benefits	45	151
- depreciation	7,185	7,150
- loss on disposal of fixed assets - net	1,979	655
	13,007	(1,040)
Net change in non-cash working capital balances related to operations - note 11	1,026	(714)
Funds provided (used) by operating activities	14,033	(1,754)
Investing Activities		
Fixed asset acquisitions	(3,850)	(5,055)
Proceeds on sale of fixed assets	22	31
Funds used by investing activities	(3,828)	(5,024)
Financing Activities		
Increase (decrease) in bank loan	(13,000)	7,000
Increase in long-term financing	46	104
Funds provided (used) by financing activities	(12,954)	7,104
Increase (Decrease) in Cash Position	(2,749)	326
Cash Position, Beginning of Year	1,589	1,263
Cash Position (Deficiency), End of Year	(1,160)	1,589
Cash Position (Deficiency)		
Cash	890	1,589
Bank overdraft	(2,050)	
	(1,160)	1,589

see accompanying notes

Notes to Financial Statements ~ for the year ended October 31, 2004

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 the lower of average cost 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

(In thousands of dollars)

	Cost	Accumulated Depreciation	2004	2003
	\$	\$	\$	\$
Land	13,555	—	13,555	13,555
Land improvements	17,091	—	17,091	17,091
Buildings, roadways and structures	142,986	54,405	88,581	91,802
Equipment and furnishings	27,201	18,976	8,225	9,374
Vehicles	7,999	7,240	759	1,210
	208,832	80,621	128,211	133,032
Capital works in progress	779	—	779	1,294
	209,611	80,621	128,990	134,326

3. Bank Overdraft

The bank overdraft facilities, which have a maximum borrowing capacity of \$ 15,000,000, provide for two types of loans. There is a variable rate option with a rate which varies with the Bank of Montreal's prime rate and there is a fixed rate operating loan facility available for terms of 30/60/90/180 or 364 days at rates which are set relative to Banker's Acceptance rates. As at October 31, 2004, all borrowings are under the variable rate arrangement.

Notes to Financial Statements ~ for the year ended October 31, 2004

4. Long-Term Financing

(In thousands of dollars)

	2004	2003
	\$	\$
The Commission has an obligation under capital lease, bearing interest of nil, requiring monthly payments of \$ 5,279 to August, 2005, secured by equipment with a net book value of \$ 95,188	44	104
The Commission has an obligation under capital lease, bearing interest of nil, requiring monthly payments of \$ 2,779 to March, 2006, secured by equipment with a net book value of \$ 83,911	76	-
The Commission has an obligation under capital lease, bearing interest of nil, requiring monthly payments of \$ 875 to March, 2006, secured by equipment with a net book value of \$ 29,579	30	-
	<hr/> 150	<hr/> 104
Less portion due within one year	86	59
	<hr/> 64	<hr/> 45

The principal payments of the obligation under capital lease is due as follows:

(In thousands of dollars)

	\$
2005	86
2006	41
2007	23

5. 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 to a maximum of 26 weeks. The accrued benefit liability as at October 31, 2004 is \$ 2,955,587 (2003 - \$ 2,930,715).

As a result of an actuarial valuation conducted in 2004 for the year ending October 31, 2004, it was determined that an actuarial loss of \$ 65,577 existed. The actual obligation as at October 31, 2004 is \$ 3,021,164 (2003 - \$ 2,930,715). Since the actuarial loss is less than 10% of the actual obligation, no minimum amortization has been recorded for the year.

In addition, certain employees of the Commission are provided with life insurance upon retirement of one times salary provided the employee retires with an unreduced OPSEU pension or PSPP pension which expires on the member's 65th birthday. The accrued benefit liability is \$ 20,956 (2003 - NIL)

As a result of an actuarial valuation conducted in 2004 for the year ending October 31, 2004, it was determined that an actuarial loss of \$ 165,883 existed. The actual obligation as at October 31, 2004 is \$ 174,991 (2003 - NIL). The actuarial loss is being amortized over the expected average remaining service lives of the employee group which has been actuarially determined to be 14 years. The unamortized loss as at October 31, 2004 is \$ 154,035.

See note 13 for other post-employment benefits.

Notes to Financial Statements ~ for the year ended October 31, 2004

5. Post-Employment Benefits cont'd.

Defined Benefit Plan Information

(In thousands of dollars)

	2004	2003
	\$	\$
Employee benefit plan assets	–	–
Employee benefit plan liabilities	2,976	2,931
Employee benefit plan deficit	2,976	2,931
Benefit obligation recognized on the balance sheet		
Benefit obligation, beginning of year	2,931	2,780
Expense for the year	388	352
Benefits paid during the year	(343)	(201)
Benefit obligation, end of year	2,976	2,931

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.

6. Interest Expense

(In thousands of dollars)

	2004	2003
	\$	\$
Interest income	(56)	(46)
Loan interest expense	527	633
	471	587

7. Depreciation

(In thousands of dollars)

	2004	2003
	\$	\$
Depreciation of income producing assets	4,003	3,857
Depreciation of non-income producing assets	3,182	3,079
	7,185	6,936

8. Non-Recurring Items

The Commission undertook a significant organizational restructuring that resulted in the elimination of several positions in 2003. Termination and salary continuance costs related to this matter amounted to \$ 550,000.

A comprehensive study for the future direction of the Commission was completed during 2003 rendering certain capital works in progress redundant. The write-off of these capital works in progress and other assets which were obsolete but not fully depreciated amounted to \$ 730,000.

The resolution of a disputed water usage and billing matter was finalized during 2003 at a cost of \$ 134,000.

Notes to Financial Statements ~ for the year ended October 31, 2004

9. Commitments

The Commission is committed to spending approximately \$ 1,930,000 on capital projects in the next year.

10. 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.

The Commission has an authorized letter of credit in the amount of US \$ 161,712.

11. Statement of Cash Flows

Changes in working capital components include:

	<i>(In thousands of dollars)</i>	
	2004	2003
	\$	\$
Accounts receivable	605	604
Inventories	1,004	(723)
Prepaid expenses	(265)	(48)
Accounts payable and accrued payroll	(318)	(547)
	1,026	(714)

Acquisition of fixed assets

During the year, fixed assets were acquired at an aggregate cost of \$ 3,848,929 of which \$ 124,535 was acquired by means of capital leases. Cash payments of \$ 3,724,394 were made to purchase fixed assets.

	<i>(In thousands of dollars)</i>	
	2004	2003
	\$	\$
Interest		
Interest received	61	46
Interest paid	511	633

12. Operating Leases

The Commission leases vehicles, equipment and premises under operating leases expiring in various years through 2008. The total obligation under operating leases amounts to approximately \$ 1,093,313.

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

	<i>(In thousands of dollars)</i>
	\$
2005	690
2006	170
2007	156
2008	77

Notes to Financial Statements ~ for the year ended October 31, 2004

13. Other Post-Employment Benefits

The Commission provides pension benefits for all its permanent employees (and to nonpermanent 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 \$ 1,368,059 (2003 - \$ 1,505,751) and is included in the administrative and general expenses in the Statement of Operations.

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 5 for details on the Commission's post employment benefits.

14. Financial Instruments and Risk Management

Fair Value

The Commission's financial instruments include cash, accounts receivable, bank borrowings, accounts payable and accrued payroll. The carrying value of these instruments approximates their fair value due to their immediate or short-term liquidity.

Fair value information with respect to long-term financing has been omitted because it is not practicable to determine fair value with sufficient reliability.

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 17.56% (2003 - 16.0%) of its sales in foreign currency. Consequently, some assets and revenues are exposed to foreign exchange fluctuations.

Cash Flow Risk

The Commission has a variable rate bank overdraft facilities bearing interest which varies with the prime interest rate. Accordingly, the Commission is exposed to cash flow risks relating to potential fluctuations in market interest rates.

15. 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 Commission. Net resources of the Foundation amounted to \$ 54,541 (2003 - \$ 44,391). During the year, the Commission expended \$ 1,827 (2003 - \$ 6,631) on behalf of the Foundation. These amounts expended included computer software, professional fees, and telephone.

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.

16. 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.

17. Comparative Figures

Certain comparative figures have been restated to conform with the current year's presentation.

Public Sector Salary Disclosures

Employees Paid \$100,000 or more in 2003

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

Record of Employees' 2003 Salaries and Benefits

Name	Position	Salary Paid	Taxable Benefits
John Kernahan	General Manager	\$137,748.53	\$ 8,633.93
Neil McDougall	Senior Director – Corporate Services	\$105,673.93	\$ 233.67
Robert McIlveen	Senior Director – Administration	\$106,002.07	\$ 239.09
Nicholas Murphy	Senior Director – Technical Services	\$108,039.66	\$ 239.09
Joel Noden	Senior Director – Retail, Attractions, Marketing & Business Development	\$108,039.66	\$ 239.09
Alois Poldl	Senior Director – Food Services	\$108,039.66	\$ 934.59
Murray Mold	Senior Director	\$106,002.07	\$ 239.09