

Connecting

with the local community & the world

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



Jim Williams, Chairman

The 2005 season highlighted our involvement in, and commitment to, the communities we call home. From our encouraging economic performance in trying tourism times, to our donation to Niagara's new Community Centre, Niagara Parks proved its worth as a tourism and community partner this past season.

Our 2005 Annual Report includes several highlights of positive economic and community contributions made by the Commission and its staff. The most significant being Niagara Parks' ability to post a net profit of \$3 Million for the year. This despite the fact tourism visitations and earnings failed to live up to the expectations set by many in the industry. We were able to do so, I believe, because of our ability to manage and embrace the changes taking place in our industry.

As a provincial entity, which receives no taxpayer support, providing more than \$20 Million in public non-commercial services is not an easy task. That is why the results reached this season are to be celebrated, and in so doing I recognize the dedication and quality of the people who work here at the Parks, both our staff and Commissioners. It was through their combined efforts that Niagara Parks was able to accomplish the results you will read about, and for that I thank them all.

From a business perspective, the success we achieved can be attributed directly to our ability to manage change. When U.S. visitation, which normally accounts for approximately 60% of all our visits, began to decline, immediate steps were taken to stem this. We helped form the Easy Crossing Council with area partners to better inform and reassure our American friends that Niagara was a destination worth visiting in 2005. The "10 minutes to Canada - No Passport Required" campaign was well received and effective in

helping to dispel many misconceptions held by U.S. visitors. Niagara Parks also became a member of the Bi-national Tourism Alliance to help foster and promote cross-border regional tourism opportunities and we continue to use our position as a significant player in the tourism industry to lobby against possible changes to U.S. passport requirements that we believe will severely hamper tourism opportunities in both our countries.

This past year, Niagara Parks also devoted additional resources to the promotion of Niagara as a destination in the international marketplace.

In 2005, NPC staff attended various trade shows in Europe, Dubai, Japan and the emerging tourism market of China to further promote Niagara and Niagara Parks. The international market currently accounts for only 11% of all Parks' visits, yet these visitors generate approximately 30% of all NPC retail sales. The potential for growth in these markets is tremendous and one we fully intend to develop for the benefit of everyone involved in the industry. In fact, Niagara Parks now has trained sales agents working hard on its behalf in Asia, the United Kingdom and France, and it is our hope that if Canada receives "Approved Travel Destination Status" from the Chinese government, an increase in tourism visits from that corner of the world will help offset the decline of American visitation to our Parks and community.

Niagara Parks also made great strides in further enhancing the entertainment options and quality experiences today's Park visitor told us they were looking for. Take for example the changes implemented to our food service operations in 2005. Research told us visitors were looking for distinctly themed, family-oriented dining options. We responded by creating Edgewaters Tap & Grill and the Riverview Market Eatery at a newly revitalized Queen Victoria Place. We then moved to introduce more branded products (Pizza Pizza, Yogen Fruze, Nathan's), thereby meeting the needs of visitors with their families who requested a move in this direction.

The results – NPC food operations led the entire Parks in growth in 2005, but more can and will be done.

If we are to remain relevant as a tourism destination, further refinements and additional programming throughout the community are needed in the long term. That is why, this past spring, Niagara Parks undertook an exciting community consultation process to prepare it for the challenges of the future. The "Commissioner For A Day" consultation asked more than 70 Niagara residents and staff, as well as more than 50 non-traditional stakeholder organizations, to offer their input into our future operations and planning process. We also launched a community website survey to solicit additional views from the public. The results – a wealth of new ideas and potential development plans proposed by the public for our consideration and, perhaps, future use.

These "Commissioner For A Day" workshops were significant in helping to foster a more open and transparent relationship with our local communities and residents.

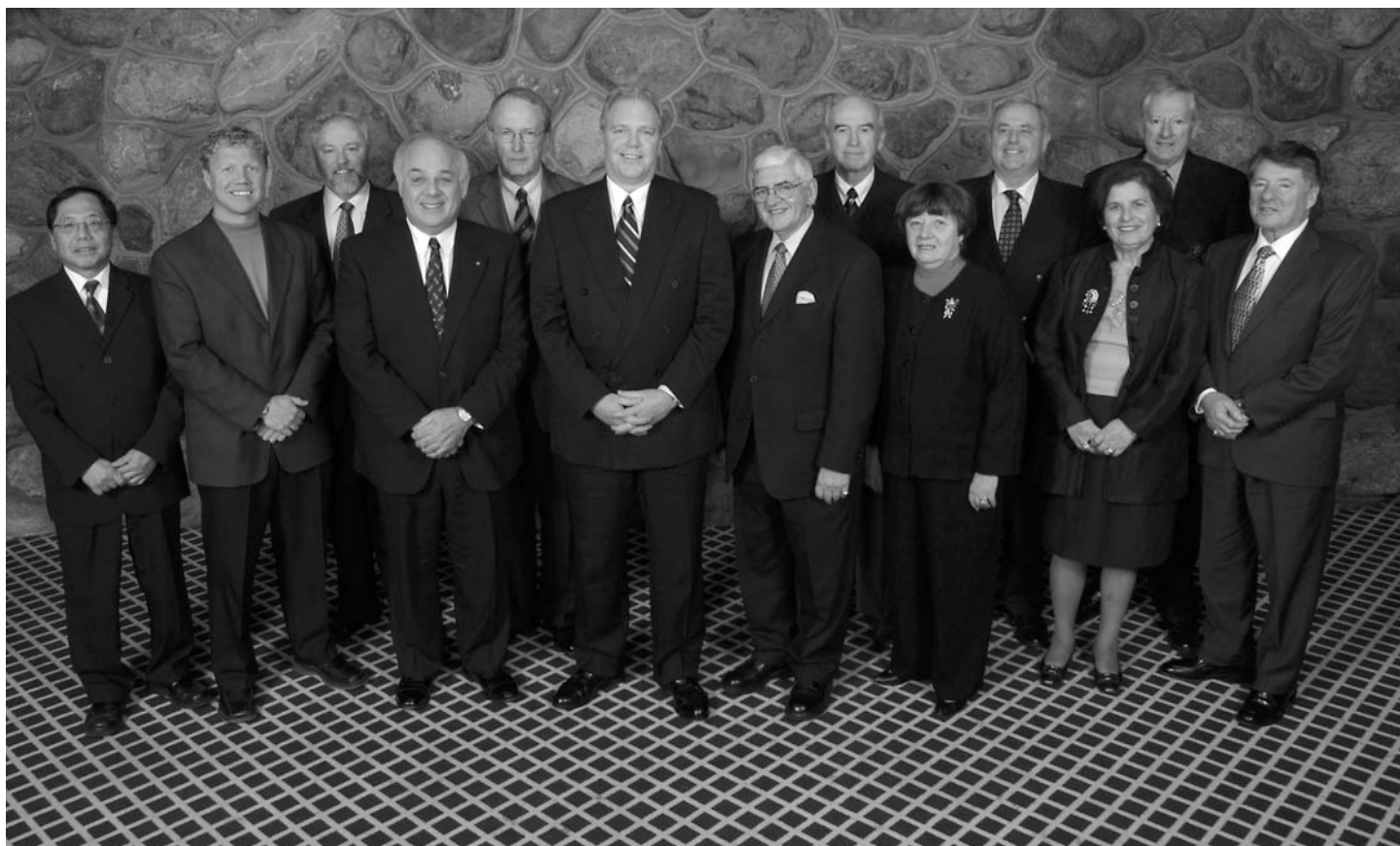
This initiative allowed Niagara Parks to reconnect and establish closer ties with local residents and the communities we call home – and for that reason alone, we considered them a huge success.

In 2005, the challenges faced by Niagara Parks were many, yet the Commission was able to respond positively to the new realities of our ever-changing and increasingly competitive tourism environment, while still fulfilling our important stewardship mandate. As Chairman, I look forward to working with our team of dedicated Commissioners and staff as we move forward into the future. Several exciting new developments and plans await, and a lot of hard work remains to be done, but by working together the future looks bright, and the possibilities for this community and Niagara Parks remain endless.

A stylized, handwritten signature in dark ink, appearing to read "Jim Williams".

*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, 2005

Bob Saracino,
(Regional Municipality of Niagara Representative)
Commissioner
Appointed December 1, 2000
Term expires November 30, 2005

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, 2005

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

Archie Katzman,
Vice Chairman
Appointed October 24, 1981
Term expires October 23, 2008

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, 2005



2005 Economic Performance



The 2005 tourism season can be described as one of unrealized expectations for both Niagara Parks and the Niagara Falls tourism industry, as American visitation dropped to levels not seen in this province in over thirty years. A weakened U.S. economy, perceived border delays, world hostilities, a strong Canadian dollar, rising fuel costs, and talk of a U.S. passport requirement, all led to a season many consider could have been better.

However, the Commission was able to maintain earnings to similar levels from the year before. NPC did experience an increase in paid attraction attendance, yet product sales remained stagnant, generating only a 1% increase in revenues. In terms of the Commission's food and beverage operations, NPC did experience growth of 7.5%, or an additional \$1.1 Million in revenues. This can be attributed to the successful renovations and changes made to existing facilities and operations

(Edgewaters Tap & Grill, Riverview Market Eatery, Pizza Pizza franchise), rather than any significant increase in visitation to the Park.

Overall, Niagara Parks' revenues grew by 4% to \$79.3 Million. While these revenues exceeded those earned in 2004, they still fall far short of the revenues earned by NPC as recently as 2002, when over \$83 Million was generated. Of concern is the fact that while revenues have remained flat, input costs such as wages, commodities, construction materials, fuel, heating and electricity all continued to rise, by as much as 6.9% overall in 2005.

To combat this trend Niagara Parks will examine several new development opportunities that will allow it to compete effectively in Niagara's ever changing tourism marketplace. These new developments will help provide the Parks with the additional income it needs to support its operational requirements and its significant stewardship responsibilities.



2005 Economic Performance



2005 FAST FACTS

- NPC attained a net profit in 2005 of just over \$3 Million
- Attendance at NPC paid attractions, its golf courses, historic sites and transportation services, increased in 2005, rising by 5%, to 4,932,690
- According to the Ministry of Tourism, annual entries to Ontario from the U.S. in 2005 reached 19.3 Million, their lowest level since 1972. As recently as 1998, over 30.1 Million visitors entered Ontario from the United States
- This trend is of concern since American visitation accounted for approximately 61% of all NPC visits this year
- Canadian visitors represented approximately 28% of NPC's customer base, while International visitations made up approximately 11% of all NPC visits
- A positive development is the growth being experienced in the international market, with total overseas visits to Ontario reaching 1.8 Million in 2005, their highest level since 2000
- In 2005 NPC employed 1,786 staff (289 full-time and 1,497 seasonal employees), circulating \$31.8 Million back into the Niagara region economy in payroll alone
- This past year NPC remitted over \$3.9 Million in Retail Sales Tax to the province
- Operating expenses totalled just under \$55 Million for the year, including \$7.5 Million used to plant and maintain the numerous gardens and parklands which surround the Falls and extend along the length of the Niagara River
- In 2005, there were more than 24,000 destination rounds of golf played at NPC's Whirlpool and Legends on the Niagara golf courses
- 44% of Parks visitors surveyed in 2005 had purchased a Niagara Falls & Great Gorge Adventure Pass. In total, almost 220,000 Passes were sold (177,117 Adult Passes, 42,820 Children Passes), representing over \$6.6 Million in sales
- In 2005, the internet (www.niagaraparks.com) helped NPC achieve over \$550,000 in pre-sold, on-line sales of the Niagara Falls & Great Gorge Adventure Pass

4,932,690
Attendance

Year In Review

NOVEMBER 2004

Students Learn What Niagara Parks Is All About

Niagara Parks was pleased to take part in the national Take Our Kids to Work program,

coordinated locally by the Business Education Council of Niagara. On November 3rd, 23 grade 9 students spent a day in the workplace getting to know first-hand the challenges and efforts required by NPC staff - their parents - as they carry out their duties as members of our team.

DECEMBER 2004

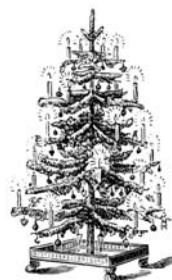
Happy Birthday Niagara Falls

The City of Niagara Falls celebrated its 100th Birthday

in style with an all-day, city-wide celebration of events and activities for residents on December 11th. Queen Victoria Park was the place to be that evening as local artists Rick Rose, The Maddhatters, the Caverners and Honeymoon Suite played to the thousands who had gathered to help commemorate this most special community event.



JANUARY 2005



Project Tree Cycle

What to do with that Christmas tree once the holiday season has ended? Bring it to the Niagara Parks Botanical Gardens and School of Horticulture to take part in the Commission's annual Project Tree Cycle event. Each year hundreds of families gather at the School to have their Christmas trees converted into environmentally friendly mulch for use in their gardens later that spring. After collecting their wood chips, families are invited to stay and have a free hot chocolate then enjoy NPC's popular Butterfly Conservatory to get a taste of what the summer season has in store.

FEBRUARY 2005

Donation to MacBain Community Centre

As a long standing "Community Partner," Niagara Parks has many active partnerships with local educational institutions and charitable organizations in the region. Building on this tradition, on February 16th, NPC Chairman Jim Williams announced a financial commitment of

\$100,000 toward the new MacBain Community Centre

being built in the City of Niagara Falls. According to the Chairman, "The facility will be one of the most important public institutions in our community, and because of this we decided to get involved."

FEBRUARY 2005

Staff Reach Out To Those In Need

Brendan Fisher and Emily Gadanyi, two students at NPC's School of Horticulture, took it upon themselves to spearhead a Park-wide drive to support Tsunami Relief efforts. Working with their fellow students the two raised \$700, but they did not stop there. They immediately challenged their Parks colleagues to get involved and help make a difference. By the time the campaign was over students and staff had generously donated \$9,474.03 to the cause, which was then matched by the Commission, bringing

NPC's total contribution to the Tsunami relief efforts to \$18,948.06.

MARCH 2005

Chairman & GM Hold Employee Information Session

On March 30th, NPC Chairman Jim Williams and General Manager John Kernahan sat down with staff to share their thoughts and outlook for the coming tourism season. They also provided staff with a review of the Parks' economic performance from 2004, details concerning NPC's new three-year business plan, and the results of the recently completed employee survey. Chairman Williams pledged to make these information sessions regular occurrences, since he believes

enhanced communications, such as these sessions, will result in better decision making and a better working relationship amongst all staff in the Park.

APRIL 2005

Commissioner For A Day Consultations

What would you do if you were an NPC Commissioner for a day?

That was the question posed to area residents and staff through a web-based survey and workshop exercise designed to seek public input to the Commission's operations and planning process. By conducting these consultations, NPC was able to obtain new ideas, as well as broaden the understanding and appreciation of the public to the issues and challenges faced by the Commission.

Year in Review

APRIL 2005

School of Horticulture Graduation & Awards Ceremony

Saturday April 2nd may have been a blowing and snowy day outside, but indoors, the scent of spring was in the air as

Niagara Parks honoured its 2005 School of Horticulture graduating class.

Chairman Jim Williams was on hand to present our newest alumnae with their diplomas and graduation pins, as was the Honourable Jim Bradley, Minister of Tourism, who personally congratulated and presented the students with Certificates of Congratulations from the Province. This year's graduating class included: Jeff Hicks (Hamilton), Ronan Mackey (Calgary), Yuri Ugaya (Japan), Sarah Beckon (St. Thomas), Darryl Biggins (Ridgeway), Becky Murphy (Guelph), Brendan Fisher (Toronto), and Justin Free (Fonthill). Yuri Ugaya was honoured for being the first international student to graduate from the one-year customized academic and practical certificate program, according to the School's agreement with a sister school in Japan, the Awaji Landscape Planning and Horticulture Academy.

MAY 2005

Making Wishes Come True

On Monday May 30th, Niagara Parks played host to Tabitha Dunphy and her father Steve Hawkins, on their special visit to the Falls. Tabitha's dad had promised his daughter that she would be able to see Niagara before she lost the remaining sight in her eyes. Tabitha, suffering from a condition known as Sturge-Weber Syndrome, had only 15% vision in one eye when her father made this promise. Selling everything he owned Hawkins started on a cross-country trek to help make his daughter's dream come true. With assistance from NPC and other area partners, Tabitha's wish to view Niagara was kept and a lifetime of memories and friendships were formed.

MAY 2005

Arbour Week Community Partnership

With the generous support of Fort Erie Chamber of Commerce President Darren Flagg, a new community partnership was formed consisting of NPC, Horticulture Students from Fort Erie Secondary School, The Niagara Peninsula Conservation Authority, The Town of Fort Erie and the Niagara Regional Police Community Policing Program, to help celebrate Arbour Day and the positive contribution young people make to the community. On May 6th, the partners planted nearly 200 native shrubs and small trees to attract birds and butterflies in a sheltered ravine near Old Fort Erie. The site of this new "Memorial Grove", located just west of the Old Fort, was chosen to honour the Grand River Warriors who, in the early hours of August 15, 1814, provided military cover for the withdrawal of British and Canadian forces following their unsuccessful assault on American troops defending the Old Fort.



JUNE 2005

Roberts Street Partnership Blossoms

On June 24th, Consul General of Japan, Mr. Hisao Yamaguchi, Chair of the Sakura Committee, joined NPC Chairman Jim Williams, and other members of the Roberts Street Gateway Project, in a ceremonial tree planting to celebrate the donation of 105 Japanese Flowering Cherry (Sakura) trees to the project. The aim of the Sakura Project is to promote friendship and understanding between Japan and Ontario – and between Japan and Canada – through the planting of donated Sakura trees in public places throughout the Province.

JULY 2005



NPC Gets Into the Swing to Celebrate the 75th Anniversary of NPC School

On July 26th, NPC and its School of Horticulture Alumni Association Foundation kicked-off its 75 for 75 Campaign, a fundraising initiative designed to celebrate the School of Horticulture's upcoming 75th anniversary. More than just a golf tournament, this initial fundraising event held by the Foundation has as its

overall goal the raising of \$75,000 to commemorate the opening of the School, which took place in 1936.

AUGUST 2005

Niagara Parks 2005 Student Awards

Each year Niagara Parks awards scholarships to seven student employees in recognition of their academic achievements, community involvement and work performance within the Parks. Presentations of the awards took place on August 19th, at a small ceremony with Commission members and family at Oak Hall. This year scholarships were presented to: Jessica Matwijow, Ryan Shugg, Lisa Breland, Martin Zaniewski, Candace Letkemann, Judy Brown (Seibel Award) and Mark Bellon (Harris Award).

Year In Review

SEPTEMBER 2005

Ontario Heritage Foundation Honours NPC

On September 16th, Ontario Heritage Foundation (OHF) Chairman, Lincoln Alexander, and NPC Chairman Jim Williams unveiled a Provincial plaque honouring the establishment of The Niagara Parks Commission in 1885. The plaque commemorates the important role NPC played in an international effort to preserve the natural scenery about Niagara Falls and it recognizes the Parks mandate to remain financially self-sufficient.

Over 100 historic plaques and markers are located throughout the Park,

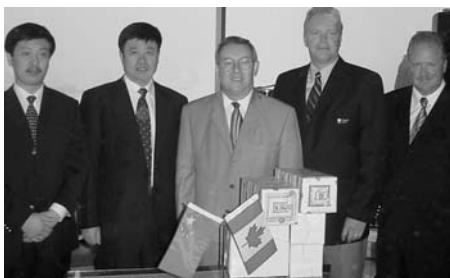
including 15 other OHF plaques, which honour the sites, events and people who played important roles in the development of this Province and of Niagara.

SEPTEMBER 2005

NPC Partners with China's Great Wall

On September 8th, Ontario Tourism Minister Jim Bradley joined Chairman Jim Williams and Mr. Weidong Wang, Deputy Director of the Badaling Great Wall Special Zone Administrative Centre to witness their signatures on a memorandum of agreement pledged to the mutual goodwill and friendship of both organizations. This landmark agreement is directed to the exchange of ideas and experiences in the area of park administration, striving to raise public awareness of the

presentation and preservation of these two world-famous locations – Niagara Falls and the Great Wall.



SEPTEMBER 2005

Chinese President Visits Niagara Falls



On September 10th, Niagara Parks was honoured to play host to Chinese President Hu Jin Tao as part of his Official State Visit to Canada. Hundreds of supporters greeted the President as he visited both Table Rock and Journey Behind the Falls that afternoon. Millions more at home saw him walk about the Falls, as the substantial media attention garnered by this visit

placed Niagara and Ontario top of mind as a premier tourism destination.



OCTOBER 2005

Schools In Bloom Competition



The School of Horticulture hosted a media conference on October 21st to recognize the students and staff who participated in the "Park in the City ~ Schools In Bloom" initiative. The competition was created to "educate, cultivate and participate", encouraging local students to contribute to the beautification of the community and the development of their school environment. NPC students from the School of Horticulture volunteered after hours as horticultural consultants, using their expertise to offer advice on design, plant selection and maintenance. They also judged the various landscape developments of the participating schools and selected Stamford High School as the winning participant for this first ever competition. Stamford received a cheque for \$1,000 to be used to purchase supplies for next year's display at their school.

OCTOBER 2005

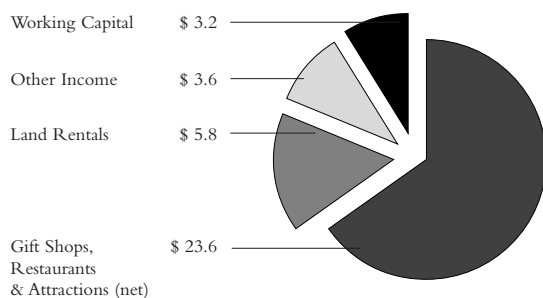
Staff Generously Support Katrina Relief Efforts



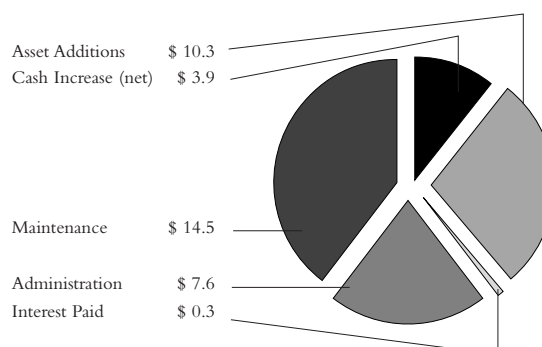
A special cheque presentation was held at Oak Hall before the October 28th Commission meeting. Chairman Jim Williams thanked the 38 volunteer canvassers and staff who donated \$10,648.41 to support the Hurricane Katrina Relief efforts. This donation was then matched by the Commission, bringing NPC's total contribution to the Canadian Red Cross to \$21,296.82.

Business Climate

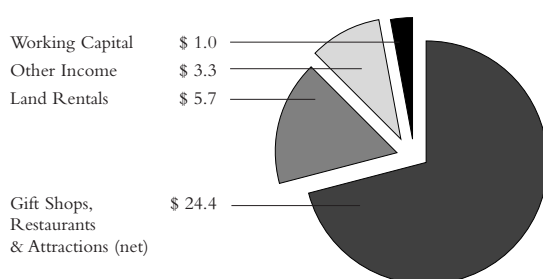
**Where Money Came From: 2005
(\$Millions)**



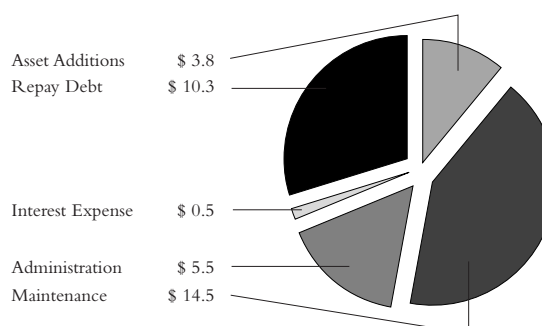
**Where Money Went: 2005
(\$Millions)**



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



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



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

	2005	% Of Sales	2004	% Of Sales
Income	\$ 69,871	100	\$ 69,397	100
Cost of Goods Sold	13,497	19	13,446	19
Gross Profit	\$ 56,374	81	\$ 55,951	81
Operating Expenditures	32,810	47	31,508	45
Net Income Before Administrative Overhead & Depreciation	\$ 23,564	34	\$ 24,443	35

Attraction Attendance

2005 Attendance – Attractions, Golf Courses, Heritage Sites & Transportation

	2005	2004	Increase or (Decrease)
Attractions			
Maid of the Mist Elevator	1,850,334	1,767,494	82,840
Journey Behind the Falls	984,874	1,016,594	(31,720)
Butterfly Conservatory	508,902	502,302	6,600
Whirlpool Aero Car	145,916	136,491	9,425
White Water Walk	216,310	214,781	1,529
Sir Adam Beck	20,110	21,781	(1,671)
Attractions Total	3,726,446	3,659,443	67,003
Golf			
Oak Hall Par 3 Golf Course	7,534	9,006	(1,472)
Whirlpool Golf Course	35,905	37,382	(1,477)
*Legends on the Niagara Golf Complex	62,121	*62,804	(683)
Golf Total	105,560	109,192	(3,632)
Historic Sites			
Old Fort Erie	14,794	15,682	(888)
Laura Secord Homestead	6,403	4,448	1,955
Mackenzie Printery and Newspaper Museum	3,358	2,526	832
McFarland House	1,338	1,631	(293)
Historic Sites Total	25,893	24,287	1,606
Transportation			
People Movers	276,744	242,194	34,550
Falls Incline Railway	798,047	675,685	122,362
Total	1,074,791	917,879	156,912
TOTAL PARK ATTENDANCE	4,932,690	4,710,801	221,889

Notes:

*2004 Legends figures include an additional 5,786 patrons who visited Legends' practice range and/or putting course. In 2005, only actual rounds of golf played have been 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 the Auditor General. Crawford, Smith and Swallow Chartered Accountants LLP has full and free access to the records of the Commission.



John A. M. Kernahan
General Manager
December 16, 2005



Neil McDougall, CMA
Senior Director, Corporate Services
December 16, 2005

AUDITORS' REPORT

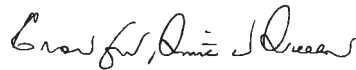
To The Niagara Parks Commission, the Minister of Tourism and the Auditor General

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, 2005 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, 2005 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 16, 2005, Niagara Falls, Ontario

Balance Sheet ~ October 31, 2005

STATEMENT 1

	<i>(In thousands of dollars)</i>	
Assets	2005	2004
	\$	\$
Current Assets		
Cash	7,722	890
Accounts receivable	1,946	2,150
Inventories		
Saleable merchandise	3,531	4,202
Maintenance and other supplies	1,115	1,085
Prepaid expenses	529	604
	14,843	8,931
Fixed Assets - note 2	131,828	128,990
	146,671	137,921
Liabilities and Equity		
Current Liabilities		
Bank overdraft - note 5	—	2,050
Accounts payable	6,496	4,349
Accrued payroll	1,800	1,579
Current portion of long-term financing	1,339	86
	9,635	8,064
Long-Term Financing - note 3	4,022	64
Post-Employment Benefits - note 4	3,116	2,976
Commitments - note 6		
Contingencies - note 7		
Equity - Statement 2	129,898	126,817
	146,671	137,921

see accompanying notes

Signed on behalf of the Commission:



Chairman



Commissioner

Statement of Equity ~ for the year ended October 31, 2005

STATEMENT 2

	<i>(In thousands of dollars)</i>	
	2005	2004
	\$	\$
Equity, Beginning of Year	126,817	123,019
Net Income for the Year - Statement 3	3,081	3,798
Equity, End of Year	129,898	126,817

see accompanying notes

Statement of Operations ~ for the year ended October 31, 2005

STATEMENT 3

	<i>(In thousands of dollars)</i>	
	2005	2004
	\$	\$
Income		
Gift shops, restaurants and attractions	69,871	69,397
Land rent	5,806	5,659
Commissions, rentals and fees	3,067	2,765
Premium on United States funds – net	472	460
Gain (loss) on disposal of fixed assets – net	33	(1,979)
Sundry income	43	51
	79,292	76,353
Expenses		
Gift shops, restaurants and attractions		
Cost of goods sold	13,497	13,446
Operating expenses	29,723	27,698
Maintenance	11,977	11,365
Administrative and police	10,140	9,519
Marketing and promotion	3,087	2,871
	68,424	64,899
Net Income for the Year before		
Undernoted Items	10,868	11,454
Other Items		
Interest expense – net – note 8	277	471
Depreciation – note 9	7,510	7,185
	7,787	7,656
Net Income for the Year	3,081	3,798

see accompanying notes

Statement of Cash Flows ~ for the year ended October 31, 2005

STATEMENT 4

	<i>(In thousands of dollars)</i>	
	2005	2004
	\$	\$
Operating Activities		
Net income for the year	3,081	3,798
Charges against income not requiring an outlay of funds		
- post employment benefits	345	388
- depreciation	7,510	7,185
- loss (gain) on disposal of fixed assets - net	(33)	1,979
	10,903	13,350
Net change in non-cash working capital balances related to operations - note 12	3,288	1,026
Funds provided by operating activities	14,191	14,376
Investing Activities		
Fixed asset acquisitions	(10,352)	(3,850)
Proceeds on sale of fixed assets	37	22
Funds used by investing activities	(10,315)	(3,828)
Financing Activities		
Decrease in bank loan	—	(13,000)
Net increase (decrease) in long-term financing	5,211	46
Cash outlay related to post-employment benefits	(205)	(343)
Funds provided (used) by financing activities	5,006	(13,297)
Increase (Decrease) in Cash Position	8,882	(2,749)
Cash Position (Deficiency), Beginning of Year	(1,160)	1,589
Cash Position (Deficiency), End of Year	7,722	(1,160)
Cash Position (Deficiency) Composed of:		
Cash	7,722	890
Bank overdraft	—	(2,050)
	7,722	(1,160)

see accompanying notes

Notes to Financial Statements ~ for the year ended October 31, 2005

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.

Foreign currency translation

These financial statements are presented in Canadian dollars. Assets and liabilities denominated in foreign currencies are translated at the exchange rates in effect at the balance sheet date. Gains and losses on translation are reflected in net earnings of the period.

2. Fixed Assets

(In thousands of dollars)

	Cost	Accumulated Depreciation	2005	2004
	\$	\$	\$	\$
Land	13,555	—	13,555	13,555
Land improvements	17,091	—	17,091	17,091
Buildings, roadways and structures	148,911	58,945	89,966	88,581
Equipment and furnishings	31,155	21,530	9,625	8,225
Vehicles	8,024	7,294	730	759
	218,736	87,769	130,967	128,211
Capital works in progress	861	—	861	779
	219,597	87,769	131,828	128,990

Notes to Financial Statements ~ for the year ended October 31, 2005

3. Long-Term Financing

(In thousands of dollars)

	2005	2004
	\$	\$
Fixed rate term loan requiring principal payments of \$1,000,000 per annum, bearing interest at 4.01% through to December, 2009	5,000	—
The Commission has an obligation under capital lease, bearing interest of nil, requiring monthly payments of \$ 87,793 to October, 2006, secured by equipment with a net book value of \$ 365,411	298	—
The Commission has an obligation under capital lease, bearing interest of nil, requiring monthly payments of \$ 2,779 to March, 2007, secured by equipment with a net book value of \$ 70,467	44	76
The Commission has an obligation under capital lease, bearing interest of nil, requiring monthly payments of \$ 875 to September, 2007, secured by equipment with a net book value of \$ 25,142	19	30
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
	5,361	150
Less portion due within one year	1,339	86
	4,022	64

The principal payments of the long-term financing obligations are due in the following fiscal periods:

(In thousands of dollars)

	\$
2006	1,339
2007	1,022
2008	1,000
2009	1,000
2010	1,000

4. 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, 2005 is \$ 3,115,931 (2004 - \$ 2,955,587).

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, 2005 is \$ 3,181,508 (2004 - \$ 3,021,164). Since the actuarial loss is less than 10% of the actual obligation, no minimum amortization has been recorded for the year.

The Commission requires that an actuarial valuation of the post employment benefits be conducted every three years. Therefore, the next valuation required would be for the year ending October 31, 2007.

See note 11 for other post-employment benefits.

Notes to Financial Statements ~ for the year ended October 31, 2005

4. Post-Employment Benefits cont'd.

Defined Benefit Plan Information

(In thousands of dollars)

	2005	2004
	\$	\$
Employee benefit plan assets	—	—
Employee benefit plan liabilities	3,116	2,976
Employee benefit plan deficit	3,116	2,976
Benefit obligation recognized on the balance sheet		
Benefit obligation, beginning of year	2,976	2,931
Expense for the year	345	388
Benefits paid during the year	(205)	(343)
Benefit obligation, end of year	3,116	2,976

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.

5. Credit Facilities

The credit 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.

6. Commitments

The Commission is committed to spending approximately \$ 1,177,000 on capital projects in the next year.

7. 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.

8. Interest Expense

(In thousands of dollars)

	2005	2004
	\$	\$
Interest income	(64)	(56)
Loan interest expense	341	527
	277	471

Notes to Financial Statements ~ for the year ended October 31, 2005

9. Depreciation

(In thousands of dollars)

	2005	2004
	\$	\$
Depreciation of income producing assets	4,399	4,003
Depreciation of non-income producing assets	3,111	3,182
	7,510	7,185

10. Operating Leases

The Commission leases vehicles, equipment and premises under operating leases expiring in various years through 2009. The total obligation under operating leases amounts to approximately \$ 806,073.

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

(In thousands of dollars)

	\$
2006	270
2007	257
2008	178
2009	101

11. 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 \$ 1,404,290 (2004 - \$ 1,368,059) 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 4 for details on the Commission's post employment benefits.

12. Statement of Cash Flows

Changes in working capital components include:

(In thousands of dollars)

	2005	2004
	\$	\$
Accounts receivable	204	605
Inventories	641	1,004
Prepaid expenses	75	(265)
Accounts payable and accrued payroll	2,368	(318)
	3,288	1,026

Notes to Financial Statements ~ for the year ended October 31, 2005

12. Statement of Cash Flows cont'd.

Acquisition of fixed assets

During the year, fixed assets were acquired at an aggregate cost of \$ 10,351,941 of which \$ 487,214 was acquired by means of capital leases. Cash payments of \$ 9,864,727 were made to purchase fixed assets.

(In thousands of dollars)

Interest	2005	2004
	\$	\$
Interest received	64	61
Interest paid	170	511

13. Financial Instruments and Risk Management

Fair Value

The Commission's financial instruments include cash, accounts receivable, 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 has cash of \$ 694,578 that is denominated in US dollars. This account has been converted to the Canadian equivalent at the rate of \$ 1 US equals \$ 1.1755 Canadian. The Commission realizes approximately 17.3% (2004 - 17.56%) 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.

14. 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.

15. Comparative Figures

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