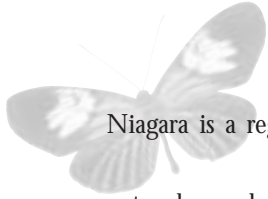


THE NIAGARA PARKS COMMISSION
ANNUAL REPORT 2003



A Tourism Season Unlike Any Other



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.



Printed by the Order of the Legislative Assembly of Ontario

CHAIRMAN'S MESSAGE ~ 2003: A Tourism Season Unlike Any Other



Archie Katzman, Acting Chair

The 2003 tourism season was a turbulent one for Ontario, the Niagara region and The Niagara Parks Commission (NPC). The much anticipated recovery that was hoped for this season failed to materialize as war in Iraq, poor weather conditions, the SARS crisis, mad cow disease, a provincial power blackout, continued border delays, a weakened U.S. economy and a rising Canadian dollar all conspired and contributed to a season unlike any other ever experienced by NPC.

In fact, a recent study conducted by KPMG for the Hotel Association of Canada, confirmed what many had already known: tourism spending in Canada's biggest travel markets declined sharply in 2003. According to KPMG, tourism spending dropped by just over \$1 billion (March to October 2003) in comparison to the 2002 tourism season. Niagara Falls and Toronto were the two hardest hit travel markets, with spending off by as much as \$146.1 million in Niagara or 26.7% from the previous year.

Unfortunately, these circumstances forced Niagara Parks to undertake some very difficult decisions, in order to address the challenges of Niagara's new tourism scene. Every NPC department and operation was examined and changes were implemented to bring about greater efficiencies and overall savings.

In response to this year's fateful events, the provincial government, NPC and our private sector partners moved quickly and cooperatively to increase visitations to Niagara, by offering new programming and events such as the hugely popular Casino Niagara concert series that was held at our very own Oakes Garden Theatre. With acts such as Bob Dylan, The Little River Band, Kenny Rogers and K.C. and the Sunshine Band entertaining and drawing thousands of people back into the Park, Niagara proved once again that it is truly a world-class destination.

NPC and its community partners also decided to expand the bi-weekly fireworks displays over Niagara. Turning these shows into nightly events, choreographed to family music, assisted our efforts in promoting Niagara as a prime tourism destination. In terms of internal marketing efforts, NPC also moved to renovate its retail stores at Table Rock and we finalized the construction of two new Welcome Centres in Queen Victoria Park. These new Centres will now allow us to proactively sell NPC passport packages in the Park while encouraging greater visitor length of stay at NPC sites and attractions.

These coordinated efforts led to modest improvements in the final months of 2003. More importantly, they provided a signal that Niagara had turned the corner on this unprecedented season. With the opening of the new Niagara Fallsview Casino Resort scheduled for the spring of 2004, all signs point to a tourism rebound taking place this coming year. In fact, Ministry of Tourism and Recreation forecasts are predicting a 9.3% growth rate in visitations for Ontario. Combine this with the recent resurgence of the

U.S. economy, and Niagara tourism operators have every reason to be optimistic as we head into the 2004 tourism season.

NPC is positioning itself to take advantage of this growth while also preparing for the challenges that it will bring. With the support of the Commissioners and staff, 2004 will see Niagara Parks initiate a series of new steps and efforts intended to position the Parks, and specifically Queen Victoria Park (QVP), as the one and only destination capable of providing "The Authentic Falls Experience" to those individuals visiting Niagara.

NPC is also looking forward to 2004 as our Legends on the Niagara golf complex has been chosen host site (Battlefield Course) for the 2004 BMO Financial Group Canadian Women's Open. NPC has dedicated itself to building this region's reputation as a major golf destination and we are looking forward to the excitement and added attention this LPGA Open will bring to our facility and to the entire area's golfing sites.

Scheduled to take place from July 5th to 11th, the LPGA Canadian Women's Open will bring with it approximately \$15 to \$25 million in associated economic value, while more than 10,000 spectators are expected, in each of the final two days of competition, to see who will be crowned champion of Canada's only LPGA tour event.

We are extremely proud of our world-class facilities at Legends and I know the challenge of our Battlefield Course and the beauty of Niagara will provide the most memorable of experiences for the LPGA Tour players, officials and spectators alike.

To conclude, I would like to thank the Commissioners and staff of The Niagara Parks Commission for their hard work and efforts during this very trying tourism season. The strength of this organization has always rested in its people. Because of this, Niagara Parks continues to be the strong tourism player and partner this province expects, and we will continue to meet the challenges and opportunities that lay ahead.

Yours truly,

A handwritten signature in black ink that reads "Archie Katzman". The signature is fluid and cursive, with a small flourish at the end.

Archie Katzman, Acting Chair
The Niagara Parks Commission

THE TEAM



Back row, left to right:

John Kernahan,
General Manager

Bob Saracino,
(Regional Municipality of Niagara Representative)
Commissioner
Appointed December 1, 2000
Term expires November 30, 2003

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, 2003

Wayne Redekop,
(Town of Fort Erie Representative)
Commissioner
Appointed December 1, 1997
Term expires November 30, 2003

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

Front row, left to right:

Joan-Marie Brunt,
Commissioner
Appointed August 1, 1997
Term expires July 31, 2006

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

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

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, 2006

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

S. Wayne Thomson
(City of Niagara Falls
Representative)
Commissioner
Appointed December 1, 1994
Term expires November 30, 2003

2003 ECONOMIC PERFORMANCE

The 2003 tourism season in Ontario can be described in a word: unprecedented. A series of events, unlike anything ever before witnessed, caused NPC to suffer one of its worst tourism seasons ever.

For most of its history, NPC had been in the enviable position of generating the financial profits necessary to remain competitive in both the Ontario and Niagara tourism economies. September 11th changed all that. In an instant, tourism visitations, which had been running at a record level pace, declined to points not seen in years. Add to this the "Perfect Storm" of events this past season, and it is not hard to see why NPC suffered a significant drop in its revenues.

As a result, NPC has been forced to implement organizational changes in reaction to this staggering drop in visitation and resulting revenue loss. Although internal contingency efforts and planning began as early as March 2003, the negative effects of the war in Iraq, SARS, mad cow disease, a rising Canadian dollar, continued border delays, and a provincial power outage led NPC to suffer an operating loss of \$7.6 million this fiscal year.

NPC will therefore enact some very dramatic and significant changes over the next several seasons to respond to the challenges it faces. NPC has in fact, already devised two key strategies that will guide its operations over the course of the next several years. The first involves the Commission undertaking a policy of fiscal prudence during the 2004 tourism season. By better controlling expenditures and operations during the coming year, NPC hopes to restore its financial stability, thereby allowing it to grow and succeed in future years.

Restored financial stability will allow the Commission to pursue growth initiatives, in order to compete in what has become a very competitive tourism market. Enhanced profitability will also allow the Commission to maintain its existing infrastructure, while investing in future projects in a responsible, affordable and sustainable way.

In this regard, NPC has already prepared a Queen Victoria Park (QVP) Master Plan to direct its development efforts. This Master Plan incorporates a number of new strategies including improved in-Park interpretation, transportation changes and enhanced product offerings for the visitor of tomorrow.

NPC undertook this Master Plan with a focus on creating a Queen Victoria Park and Falls experience that is second to none ("Niagara Like It Ought to Be"). The Master Plan findings and recommendations concentrate on Queen Victoria Park, since it is the Commission's destination core. Over 5 million tourists gather within QVP each year to view the mighty Niagara from Table Rock Point. It is also here that NPC realizes approximately 60% of all its attraction, food and beverage, retail and parking revenues. Hence, if NPC is to return to financial stability while achieving

continued growth, investments must be centred in and around Queen Victoria Park and Table Rock House.

Therefore, over the course of the next several years, Table Rock House will be transformed into an experience befitting the incredible power of the location. This redesign will not only include changes to existing retail and food and beverage concepts, but also expand the physical site to allow for new projects, which will capture the attention, interest and spending habits of Niagara's tourism visitor.

The Commission believes that by implementing a carefully planned list of improvements, the Park will return to a position of financial stability, while also creating a park experience that will continually draw people back to NPC and to this region.

2003 FAST FACTS

- Gross revenues declined this past year from \$83 million in 2002 to \$65 million in 2003 – a 21% reduction
- NPC suffered a Net Loss in 2003, before non-recurring items, of \$7.6 million
- Attendance figures decreased as well, reaching 4,046,071, as compared to 5,296,251 in 2002
- In 2003, NPC employed 1,665 staff (325 full-time and 1,340 seasonal employees)
- This past fiscal year NPC remitted over \$3 million in Retail Sales Tax to the Province, down from \$4.3 million in 2002
- 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 more than \$900,000 in 2003
- Legends on the Niagara courses *Battlefield* and *Ussher's Creek* played host to approximately 48,000 rounds of golf in 2003. More than 12,000 tournament rounds have already been booked for the 2004 golf season
- Two new Welcome Centres were constructed at entrances to Queen Victoria Park thereby giving the Commission the ability to inform our visitors about the Park and to proactively sell NPC passport packages in-Park
- In 2003, visits to the NPC's website (peak season) grew from an average of approximately 1 million hits per month to 10 million hits per month
- Ongoing upgrades to our site www.niagaraparks.com, have improved NPC's ranking on international search engines, recently placing the Commission in the top 10 on google.com
- In 2003, the internet helped achieve over \$100,000 in pre-sold Niagara Falls & Great Gorge Adventure Passes



NOVEMBER 2002

NPC Unveils Sculptures at its Niagara Parks Greenhouse

On Saturday November 2nd, NPC and family of the late Helen Waimel Robertson unveiled three sculptures produced by the famous local artist, which are now prominently displayed outside the Niagara Parks Greenhouse. One of Canada's most gifted sculptors, Mrs. Robertson produced these three unique bronze sculptures collectively known as Golden Fountain. The Niagara Parks Commission acquired one of the sculptures, Freedom, by way of donation in 1990. During the ceremony held on November 2nd, NPC was able to complete the collection by obtaining the two remaining companion pieces, due to the generosity of the Robertson family.



DECEMBER 2002

Winter Festival of Lights & New Year's Eve Celebrations in Queen Victoria Park

For twenty years NPC has been a proud sponsor and host of Niagara's annual Winter Festival of Lights. This celebration of winter is Canada's largest light festival, and Queen Victoria Park has become the place to be for families and friends who wish to take in the spectacular "Enchantment of Disney" motion light displays, exciting family events and dazzling fireworks displays. On December 31st, Queen Victoria Park was home to Niagara's largest New Year's Eve party as acts such as Circus Jonathon, Treble Charger, The Fables and Colin James and the Boss Horns helped ring in the New Year in this nationally televised event.

NPC Assistant General Manager Retires

After almost 37 years of service with the Commission, NPC Assistant General Manager Robert Brooker retired. Robert began his career with NPC in 1966, starting off as Assistant Accountant, before moving on to the position of Chief Accountant for NPC in May 1967. Robert later went on to become Senior Director of Corporate Services in November 1995 and then became Assistant General Manager in July of 1998. Replacing Robert is Neil McDougall, NPC's new Senior Director, Corporate Services. Neil joins NPC after having served as Vice President of Great Lakes Power Limited.



JANUARY 2003

NPC Preserves Memory of Nationally Recognized Heroine – Laura Secord

On June 22, 1813, a brave woman set out on a perilous 32-kilometre journey and stepped forever into the history and folklore of Canada. Laura Ingersoll Secord was a pioneer in Upper Canada whose heroic actions during the War of 1812 resulted in her becoming an enduring icon of Canadian popular culture. On January 8th 2003 the Federal Government paid tribute to the actions of Laura Secord by designating her a person of National Historic Significance. The Niagara Parks Commission is proud owner of Laura Secord's home, located in the village of Queenston. In 1998, through a generous gift from Laura Secord Incorporated, the Secord Homestead became part of the public trust, enabling NPC to ensure the homestead's preservation and safekeeping for future generations.

FEBRUARY 2003

Niagara Falls Chamber of Commerce – Business After 5 Reception

On February 19th, at Table Rock Restaurant, NPC Chairman Brian Merrett was guest speaker at the monthly "Business After 5" meeting with members of the Niagara Falls Chamber of Commerce. In a speech entitled "The Millennium Renaissance of Niagara," Chairman Merrett discussed the phenomenal growth that had been taking place in Niagara and he went on to describe NPC's plans for responding to this growth, through the creation of a Master Plan for Queen Victoria Park.

NPC's Cathy Sherk receives Royal Canadian Golf Association Appointment

Cathy Sherk, Head Teaching Professional at Legends on the Niagara golf complex, continues to make exciting news for NPC and the sport of golf in Canada. At the Royal Canadian Golf Association's Annual General Meeting, it was announced that Cathy, along with Moira Jaatteenmaki and Diane Mackay, had been appointed Associate Governors of the Association. This marks the first time a woman has been named to this position within the RCGA. Associate Governors are selected from across the country to provide expertise and assist in strategy, planning, and policy recommendations at the committee level for the RCGA.

YEAR IN REVIEW



MARCH 2003

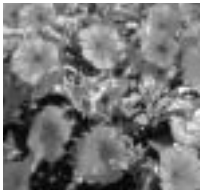
School of Horticulture Graduation and Awards Ceremony

On Saturday March 29th, NPC presented its 2003 School of Horticulture graduating class with their well-earned diplomas and graduating pins. The class of 2003 was comprised of: Mark Agnoletto, Jonathan McLaren, David Bergshoeff, Laura McConnell, David Hunt, Jason Overdevest, and Zenia Buzanko.

APRIL 2003

NPC School of Horticulture Wins Cup at Horticulture Olympics

On Saturday April 5th, NPC's team from the School of Horticulture took first place in the Mid-Atlantic Horticulture and Landscape Field Day. Nearly 300 students from 12 Colleges and Universities in Ontario, New York, Connecticut, Pennsylvania and Ohio competed in over 23 horticulture and landscape competitions. This was the first time the Field Day was held in Canada, co-hosted by The Niagara Parks Commission and Niagara College.



NPC begins work on first phase of Queen Victoria Park Moraine Management Plan

A ceremonial tree planting on April 24th launched a major project to rehabilitate the Queen Victoria Park Moraine. The treed Moraine is an important local, regional and international landscape. It forms the backdrop to both the Horseshoe Falls and Queen Victoria Park. Since being cleared of trees in the early part of the twentieth century, the Moraine was left to regenerate vegetation on its own without any significant land management program. As a result, invasive, non-native trees and shrubs began colonizing much of the slope. NPC's Moraine Management Plan is designed to improve the ecological health of the Moraine by removing these non-native invasive species, and by replanting ecologically and aesthetically beneficial trees and shrubs that will improve the overall health of the Moraine.



MAY 2003

Ontario's Promise Helps Make Golf a Kid's Game

On May 27th, Mike Harris, Chairman of Ontario's Promise, along with The Niagara Parks Commission and the Boy's and Girl's Club of Niagara announced an innovative program designed to broaden the appeal and interest in junior golf. During the summer of 2003 the professional teaching staff of Legends hosted a series of two-hour golf instruction clinics for local children, selected by the Boy's and Girl's Club, who might not otherwise have been able to participate in this great game due to financial hardship. These sessions then culminated in actual rounds of golf being played by these children at the Oak Hall Par 3 Golf Course throughout the summer.

United Way Staff Picnics

The kick-off to NPC's fundraising drive started on May 23rd, with a United Way staff barbeque and picnic. This past year, NPC and its staff proudly contributed \$ 54,300 to the United Way of Niagara.

JUNE 2003

Legends to Host LPGA Canadian Open

The Royal Canadian Golf Association made the announcement on June 17th, Legends on the Niagara's first anniversary, that the golf complex had been selected host site for the 2004 BMO Financial Group Canadian Women's Open. The 7,224-yard, par 72 Battlefield Course, designed by Doug Carrick, will be the site of Canada's only LPGA tour event. NPC is very proud of its world-class facilities at Legends and it is confident the challenge of the course and the beauty of the region will provide the most memorable of experiences for the LPGA tour players, officials and spectators alike. The tournament will be held from July 5th to July 11th, 2004.

YEAR IN REVIEW



JULY 2003

Incredible 2-Nation Celebrations Kick-Off The Summer Holidays

Special 2-Nation Celebration events were held on the July 1st and 4th holidays. Canada Day "Pops in the Parks" featured performances by the Niagara Symphony Orchestra in Queen Victoria Park, while the Buffalo Symphony Orchestra performed at the New York State Park, in Niagara Falls New York. These concerts were carried live on 102.5 The Star FM and ended with a fireworks display synchronized to the sounds of the 1812 Overture. The July 4th "Honey Sweets" event included free concerts with Universal Honey and Honeymoon Suite and concluded with another spectacular musical fireworks display over Niagara Falls.

Battle of Chippawa Remembered

The Battle of Chippawa fought on July 5, 1814 was the opening engagement of the Niagara campaign of 1814, the longest and bloodiest military operation of the War of 1812. Every July 5th this Battle is remembered, as NPC hosts a small ceremony at Chippawa Battlefield Park. The ceremony pays tribute to, and honours those fallen soldiers who took part in the battle: Canadian, American, British and First Nation allies. Approximately 4,000 soldiers took part in the fighting that day, and by the time it was over, more than 800 men lay dead or wounded in the fields now protected by NPC.



AUGUST 2003

Niagara Parks 2003 Student Awards

Niagara Parks awards annual scholarships to seven summer student employees in recognition of their academic success, community involvement and work performance. This summer scholarships were presented to: Ben Woodford, Hang Nguyen, Karleigh Mundy, Meagan Schrader, David Wallace, Lindsay Shura and Sara Epp.



Niagara Receives SARS Economic Relief Funding

On August 7th, the Provincial Government announced nearly \$2 million in funding to assist Niagara's battered tourism industry in their fight against the adverse effects of the SARS crisis in Ontario. One of the projects developed as a result of this funding was the Casino Niagara concert series held at NPC's Oakes Garden Theatre. The concerts were a resounding success, as musical guests Kenny Rogers, K.C. and the Sunshine Band, The Little River Band and Bob Dylan performed to thousands of visitors who made their way back to Niagara and back to Niagara Parks.

SEPTEMBER 2003

NPC Launches New and Improved Website

On September 10th, NPC unveiled its newly designed website www.niagaraparks.com. More comprehensive information, appealing NPC images and downloads, as well as faster search capabilities were just some of the enhancements made to this important business tool. Research shows over 70% of travellers use the internet to plan their trips. NPC's new website has therefore been redesigned to make it easier for these internet visitors to include Niagara Parks and Niagara Falls in their future travel and destination plans.

OCTOBER 2003

Global Landmarks Illumination

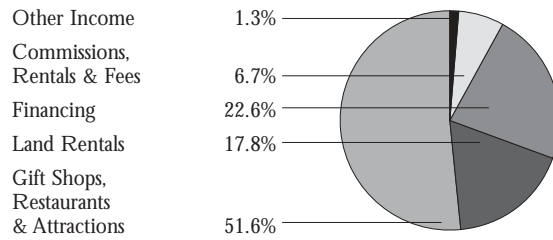
On October 1st, NPC and the Niagara Falls Illumination Board partnered with Estée Lauder to illuminate both the American and Canadian Horseshoe Falls in pink, as part of that company's Global Landmark Illumination campaign. Together with other prominent landmarks such as the Empire State Building in New York, The Royal Opera House in London, and l'Assemblée Nationale in Paris, the world-famous Falls were lit in pink, thereby continuing a tradition of drawing attention to the need for knowledge and research aimed at combating breast cancer.

NPC's New Police Chief Takes His Post

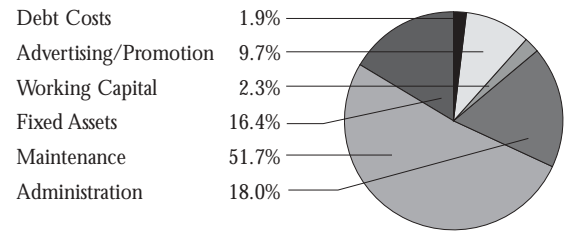
On October 14th, Niagara Parks newest Police Chief, Tim Berndt assumed command over one of this province's oldest police departments, The Niagara Parks Police Service. Chief Berndt brings with him a wealth of experience, having previously served with the Niagara Regional Police Service (NRP) for 28 years. Chief Berndt replaces Ray Vassallo who served as Niagara Parks Police Chief for the past ten years. Prior to joining the Parks Police, Chief Vassallo had served with distinction as a member of The Royal Canadian Mounted Police for 26 years.

BUSINESS CLIMATE

Where Commission Dollars Came From



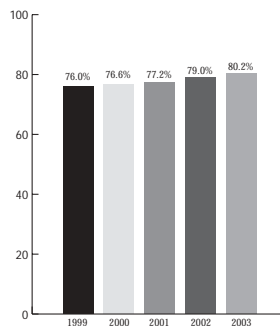
Where Commission Dollars Went



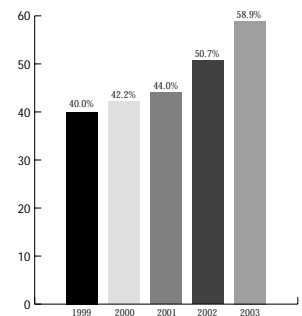
COMPARATIVE PERFORMANCE ~ Gift Shops, Restaurants, and Attractions (\$'000)

	2003	% Of Sales	2002	% Of Sales
Income	\$ 57,796	100.0	\$ 74,364	100.0
Cost of Goods Sold	11,453	19.8	15,615	21.0
Gross Profit	\$ 46,343	80.2	\$ 58,749	79.0
Operating Expenses including Depreciation	34,019	58.9	37,727	50.7
Net Income Before Administrative Overhead	\$ 12,324	21.3	\$ 21,022	28.3

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.



While the actual dollars spent in 2003 were lower than in 2002 by 10%, this was not sufficient to keep pace with the dramatic drop in sales experienced this year. Operating expenses for the past five years as a percentage of total sales are as follows:



ATTRACTION ATTENDANCE

Attendance – Attractions, Golf Courses and Historic Sites

	2003	2002	Increase or (Decrease)
Attractions			
Maid of the Mist Elevator	1,249,773	1,821,271	(571,498)
Journey Behind the Falls	895,150	1,120,047	(224,897)
Butterfly Conservatory	488,346	563,876	(75,530)
Whirlpool Aero Car	151,659	209,075	(57,416)
White Water Walk	206,396	181,148	25,248
Greenhouse-Queen Victoria Park	159,834	210,084	(50,250)
Attractions Total	3,151,158	4,105,501	(954,343)
Golf			
Oak Hall Par 3 Golf Course	12,431	13,020	(589)
Whirlpool Golf Course	34,017	39,498	(5,481)
Legends on the Niagara Golf Complex	68,424	72,424	(4,000)
Golf Total	114,872	124,942	(10,070)
Historic Sites			
Old Fort Erie	17,564	27,788	(10,224)
Sir Adam Beck	26,061	11,565	14,496
Laura Secord Homestead	5,562	9,986	(4,424)
Mackenzie Heritage Printery and Newspaper Museum	2,832	5,716	(2,884)
McFarland House	1,863	4,972	(3,109)
Historic Sites Total	53,882	60,027	(6,145)
Falls Incline Railway	508,866	751,123	(242,257)
People Movers	217,293	254,658	(37,365)
Total	4,046,071	5,296,251	(1,250,180)

Parking Lots – Number of Vehicles

	2003	2002	Increase or (Decrease)
Rainbow Bridge Parking Lot	17,744	– *	17,744
Falls Parking Lot	355,496	437,468	(81,972)
Greenhouse Parking Lot	26,860	35,937	(9,077)
RapidsView Parking Lot	46,045	65,972	(19,927)
Total	446,145	539,377	(93,232)

*Closed due to Rainbow Bridge construction

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 16, 2004



Neil McDougall, CMA
Senior Director, Corporate Services
January 16, 2004

AUDITORS' REPORT

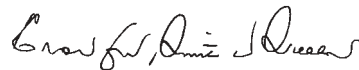
To The Niagara Parks Commission, the Minister of Tourism and Recreation and the Provincial Auditor

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, 2003 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, 2003 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
January 16, 2004, Niagara Falls, Ontario

BALANCE SHEET ~ as at October 31, 2003

STATEMENT 1

(In thousands of dollars)

Assets	2003	2002
	\$	\$
Current Assets		
Cash	1,589	1,263
Accounts receivable	2,755	3,199
Inventories		
Saleable merchandise	4,965	4,240
Maintenance and other supplies	1,326	1,329
Prepaid expenses	339	290
	<hr/> 10,974	<hr/> 10,321
Fixed Assets - note 2	134,326	137,108
	<hr/> 145,300	<hr/> 147,429
 Liabilities and Equity		
Current Liabilities		
Bank loan - note 3	13,000	6,000
Accounts payable	4,300	5,267
Accrued payroll	1,946	1,367
Current portion of long-term financing	59	
	<hr/> 19,305	<hr/> 12,634
Long-Term Financing - note 4	45	
Post-Employment Benefits - note 5	2,931	2,780
Commitments - note 9		
Contingencies - note 10		
Equity - Statement 2	123,019	132,015
	<hr/> 145,300	<hr/> 147,429

see accompanying notes

Signed on behalf of the Commission:



Acting Chair



Commissioner

STATEMENT OF EQUITY ~ for the year ended October 31, 2003

STATEMENT 2

(In thousands of dollars)

	2003	2002
	\$	\$
Equity, Beginning of Year	132,015	130,376
Net Income (Loss) for the Year - Statement 3	(8,996)	1,639
Equity, End of Year	123,019	132,015

see accompanying notes

STATEMENT OF OPERATIONS ~ for the year ended October 31, 2003

STATEMENT 3

	<i>(In thousands of dollars)</i>	
	2003	2002
	\$	\$
Income		
Gift shops, restaurants and attractions - Schedule 1	57,796	74,363
Land rent	5,572	5,416
Commissions, rentals and fees	2,078	2,891
Premium on United States funds - net	396	691
Gain on disposal of fixed assets - net	22	176
Sundry income	28	17
	65,892	83,554
Expenses		
Gift shops, restaurants and attractions - Schedule 1		
Cost of goods sold	11,453	15,615
Operating expenses	30,162	34,403
Maintenance	15,838	16,977
Administrative and general	5,527	5,166
Marketing and promotion	2,652	2,623
Customer service	319	383
	65,951	75,167
Net Income (Loss) for the Year before		
Undernoted Items	(59)	8,387
Other Items		
Interest expense - net - note 6	587	479
Depreciation - note 7	6,936	6,269
	7,523	6,748
Net Income (Loss) before Non-Recurring Items	(7,582)	1,639
Non-Recurring Items - note 8	(1,414)	
Net Income (Loss) for the Year	(8,996)	1,639

see accompanying notes

STATEMENT OF CASH FLOWS ~ for the year ended October 31, 2003

STATEMENT 4

	<i>(In thousands of dollars)</i>	
	2003	2002
	\$	\$
Operating Activities		
Net income (loss) for the year	(8,996)	1,639
Charges against income not requiring an outlay of funds		
- change in post employment benefits	151	208
- depreciation	7,150	6,478
- gain on disposal of fixed assets - net	655	(176)
	(1,040)	8,149
Net change in non-cash working capital balances related to operations - note 11	(714)	(3,746)
Funds provided (used) by operating activities	(1,754)	4,403
Investing Activities		
Fixed asset acquisitions	(4,951)	(7,528)
Proceeds on sale of fixed assets	31	194
Funds used by investing activities	(4,920)	(7,334)
Financing Activities		
Increase in bank loan	7,000	3,000
Repayment of long-term debt		(300)
Funds provided by financing activities	7,000	2,700
Increase (Decrease) in Cash Position	326	(231)
Cash Position, Beginning of Year	1,263	1,494
Cash Position, End of Year	1,589	1,263

see accompanying notes

SCHEDULE OF OPERATIONS ~ Gift Shops, Restaurants and Attractions for the year ended October 31, 2003

SCHEDULE 1

(In thousands of dollars)

	2003	2002
	\$	\$
Income		
Souvenirs, china and post cards	15,783	23,382
Food and refreshments	12,262	16,438
Beer, liquor and wine	2,061	2,325
Confectionery	2,144	3,116
Fares and admission	23,237	26,499
Rentals	873	1,023
Sundry	1,436	1,580
	57,796	74,363
Cost of Goods Sold		
Souvenirs, china and post cards	5,855	8,658
Food and refreshments	3,514	4,462
Beer, liquor and wine	581	662
Confectionery	865	1,217
Sundry	638	616
	11,453	15,615
Gross Profit	46,343	58,748
Operating Expenses		
Salaries and wages	12,802	14,837
Employee benefits	2,517	2,630
Advertising	993	1,387
Fuel, power, water and laundry	1,293	1,374
General	3,963	4,468
Maintenance of buildings, equipment and vehicles	2,356	2,645
Maintenance of grounds	3,438	4,693
Grants in lieu of municipal taxes	870	823
Distribution Centre expense	1,930	1,546
	30,162	34,403
Net Income before Depreciation	16,181	24,345
Depreciation of Income Producing Assets	3,857	3,323
Net Income Exclusive of any Portion of the Administrative Overhead of the Commission	12,324	21,022

see accompanying notes

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.

On November 1, 2002, the Commission changed the method of costing retail merchandise inventory from first-in, first-out (FIFO) to average cost. There is no significant effect on net income of the current year.

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	2003	2002
	\$	\$	\$	\$
Land	13,555	–	13,555	13,555
Land improvements	17,091	–	17,091	17,091
Buildings, roadways and structures	141,735	49,933	91,802	94,141
Equipment and furnishings	25,978	16,604	9,374	9,947
Vehicles	8,204	6,994	1,210	1,193
	206,563	73,531	133,032	135,927
Capital works in progress	1,294	–	1,294	1,181
	207,857	73,531	134,326	137,108

3. Bank Loan

The bank loan facilities, which have a maximum borrowing capacity of \$ 25,000,000, 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, 2003 there was \$ 10,000,000 in a fixed rate loan bearing interest of 3.84% and maturing April 27, 2004. The Commission has applied for an Order in Council from the Province of Ontario to have the maximum borrowing capacity increased to \$ 35,000,000. As at the audit report date, this approval has not been granted.

NOTES TO FINANCIAL STATEMENTS ~ for the year ended October 31, 2003

4. Long-Term Financing

(In thousands of dollars)

	2003	2002
	\$	\$
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 \$ 107,086	104	
Less portion due within one year	59	
	45	

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

(In thousands of dollars)

	\$
2004	59
2005	45

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. See note 13 for other post-employment benefits.

Defined Benefit Plan Information

(In thousands of dollars)

	2003	2002
	\$	\$
Employee benefit plan assets	-	-
Employee benefit plan liabilities	2,931	2,780
Employee benefit plan deficit	2,931	2,780
Benefit obligation recognized on the balance sheet		
Benefit obligation, beginning of year	2,780	2,571
Expense for the year	352	342
Benefits paid during the year	(201)	(133)
Benefit obligation, end of year	2,931	2,780

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.

NOTES TO FINANCIAL STATEMENTS ~ for the year ended October 31, 2003

6. Interest Expense

(In thousands of dollars)

	2003	2002
	\$	\$
Interest income	(46)	(64)
Loan interest expense	633	543
	587	479

7. Depreciation

(In thousands of dollars)

	2003	2002
	\$	\$
Depreciation of income producing assets	3,857	3,323
Depreciation of non-income producing assets	3,079	2,946
	6,936	6,269

8. Non-Recurring Items

The Commission undertook a significant organizational restructuring that resulted in the elimination of several positions. 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 the year 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 the year at a cost of \$ 134,000.

9. Commitments

The Commission is committed to spending approximately \$ 1,900,000 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.

NOTES TO FINANCIAL STATEMENTS ~ for the year ended October 31, 2003

11. Statement of Cash Flows

Changes in working capital components include:

	<i>(In thousands of dollars)</i>	
	2003	2002
	\$	\$
Accounts receivable	604	931
Inventories	(723)	(797)
Prepaid expenses	(48)	(169)
Accounts payable and accrued payroll	(1,097)	(3,711)
Accrued severance	550	
	(714)	(3,746)

Acquisition of fixed assets

During the year, fixed assets were acquired at an aggregate cost of \$ 5,055,371 of which \$ 104,112 was acquired by means of capital leases. Cash payments of \$ 4,951,259 were made to purchase fixed assets.

Interest

	2003	2002
	\$	\$
Interest received	46	64
Interest paid	633	535

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 \$ 1,687,795.

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

	<i>(In thousands of dollars)</i>
	\$
2004	791
2005	632
2006	111
2007	97
2008	57

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 \$ 1,505,751 (2002 - \$ 1,214,516) 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 5 for details on the Commission's defined employee future benefit plan.

14. Financial Instruments and Risk Management

Fair Value

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

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 16.0% (2002 - 16.3%) 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 loan payable 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 \$ 44,391 (2002 - \$ 42,158). During the year, the Commission expended \$ 6,631 (2002 - \$ 32,688) 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.

PUBLIC SECTOR SALARY DISCLOSURES

Employees Paid \$100,000 or more in 2002

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

Record of Employees' 2002 Salaries and Benefits

Name	Position	Salary Paid	Taxable Benefits
John Kernahan	General Manager	\$131,864.36	\$ 8,695.07
Robert Brooker	Assistant General Manager	\$123,194.64	\$ 355.71
Robert McIlveen	Senior Director – Community Services	\$103,425.65	\$ 231.19
Nicholas Murphy	Senior Director – Technical Services	\$103,425.65	\$ 231.19
Alois Poltl	Senior Director – Food Services	\$103,425.65	\$ 926.69
Joel Noden	Senior Director – Retail, Attractions & Heritage	\$103,425.65	\$ 231.19
Murray Mold	Senior Director – Marketing & Business Development	\$101,486.24	\$ 231.19