

The World at Our Door



An agency of the Government of
Ontario since 1885

Niagara Parks Annual Report 2006



The Niagara Parks Commission:

Our Role & Mission



Printed by the Order of the
Legislative Assembly of Ontario

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 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.



Chairman's Message

As an Operational Enterprise Agency of the Provincial Government, The Niagara Parks Commission (NPC) is tasked with the responsibility of not only acting as an environmental and historic steward, but also of being a catalyst in the economic growth and promotion of both the region and Niagara Parks. In fact, this is something we have taken great pride in doing for the past 121 years.



Jim Williams, Chairman

No other tourism operator in this region provides the level of public services back to its community and residents than does The Niagara Parks Commission. However, if NPC is to continue to fulfill its mission of preserving and enhancing the beauty of Niagara, all while remaining financially self-sufficient, it must continually plan for growth and adapt to its changing visitors' needs. It was with this in mind the Commission initiated several new projects in 2006 to increase both visitation and spending within the Parks.

In the spring NPC entered into a unique partnership agreement with Cirque Niagara, resulting in a new world-class show being based in Niagara. We became involved in this venture because we believed this new attraction, AVAIA, had the ability to encourage new and repeat visitation to our community. Something urgently needed considering the results of recent travel surveys, which showed both U.S. and Canadian travellers believing there was nothing new in our community to draw them back for repeat visits.

In 2006, NPC also created a partnership with the Jim McLean Golf Schools, to establish a new world-class teaching academy at Legends on the Niagara, this region's original and leading golf destination complex. The School has been a welcome addition, enhancing both Niagara Parks' and Niagara's reputation as a premier golf destination. In fact, the official opening of this training facility resulted in extensive media coverage throughout North America of the School, Niagara Parks and our Legends' courses.

In addition, we consulted with the public to solicit their input and ideas on how we could bring about further improvements at our golf facilities. As a result, we introduced a Resident's Card discount program to respond to the growing demand of local golfers who wished to play our highly ranked Whirlpool and Legends courses.

NPC also moved to expand its branded food offerings. In August 2006, Tim Hortons became our newest

franchise operation, joining the highly successful Pizza Pizza outlet at Table Rock House. Its performance to date has exceeded expectations and we will be enlarging it to better meet our customers' needs.

We then created a new Wine Collection at our Queenston Heights Restaurant, to further enhance its image and appeal as one of this region's finest dining establishments. NPC considers Queenston to be the gateway to Niagara's grape and wine country, so where better to assemble and promote Ontario's best VQA Wines than here at this historic location. Since its opening the Collection has garnered great response from our guests, the media and more importantly, from the local wineries we have been promoting.

Despite these initiatives and others in the Niagara tourism industry, American visitation, a key tourism segment to Ontario and Niagara Parks, declined by 9.9% in 2006. There are reasons for optimism however, as other International visitations began to rebound. This is clearly demonstrated by the fact that in 2006 visitors from the United Kingdom generated just as much in retail sales for the Parks as did visitors from Ohio and New York State. This is dramatic, and demonstrates the influence and impact these foreign travel markets are having and will continue to have on our sector. As an industry, it is incumbent on us to try and capitalize on this growth by working collectively to promote, market and attract these new and emerging markets

Times are changing and we in the industry must change along with them. It is this fact that has prompted NPC to explore new and exciting ventures to enhance our destination as we did in 2006. It is also why the Commission intends to proceed in 2007 with our revitalization efforts at Table Rock House.

As I conclude my report, let me take this opportunity to welcome several new Commissioners who have been appointed to our Commission this year. These four local individuals -

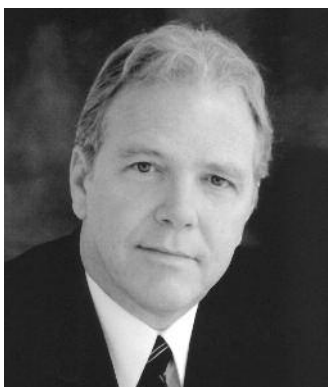
Bob Gale, Italia Gilberti, David Howes and Edward Werner - all share a strong commitment and passion for their communities and their backgrounds and experiences will be a tremendous asset to us as we set about charting a new course for the future of Niagara Parks. At the same time, I'd like to thank departing Commissioners Joan Brunt, Rick Dykstra, Frank Leslie, Alfred Liu, Anthony Rodway and Anna Corfield-Tartaglia for their tremendous contributions and dedication during their terms in office.

As a self-funded agency of the Provincial Government, NPC is proud to promote and share Niagara with the world. I thank both the Commissioners and staff for their efforts and accomplishments during this trying season, and I look forward to working with them as we set about tackling the challenges and opportunities that lay ahead.

A stylized, handwritten signature of Jim Williams in black ink.

*Jim Williams, Chairman
The Niagara Parks Commission*

The Commissioners



Jim Williams, Chairman

*Appointed March 10, 2004
Term expires March 9, 2010*



Archie Katzman, Vice-Chairman

*Appointed October 24, 1981
Term expires October 23, 2008*



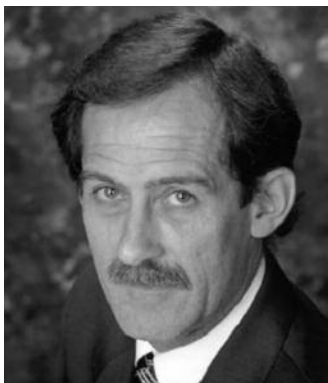
Gary F. Burroughs, Commissioner
(Town of Niagara-on-the-Lake Representative)

*Appointed December 1, 2000
Term expires November 30, 2006*



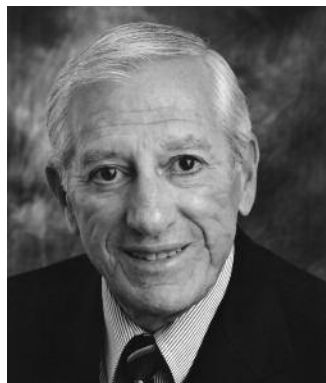
Ted Salci, Commissioner
(City of Niagara Falls Representative)

*Appointed February 25, 2004
Term expired November 30, 2006*



Wayne Redekop, Commissioner
(Town of Fort Erie Representative)

*Appointed December 1, 1997
Term expired November 30, 2006*



Bob Saracino, Commissioner
(Regional Municipality of Niagara Representative)

*Appointed December 1, 2000
Term expires November 30, 2006*



Anthony Rodway, Commissioner

*Appointed September 24, 2003
Term expired September 23, 2006*



Robert Gale, Commissioner

*Appointed February 27, 2006
Term expires February 26, 2009*



Italia Gilberti, Commissioner

*Appointed July 24, 2006
Term expires July 23, 2009*



David Stewart Howes, Commissioner

*Appointed September 6, 2006
Term expires September 5, 2009*



Edward Werner, Commissioner

*Appointed September 20, 2006
Term expires September 19, 2009*



2006 Economic Performance

2006 proved to be a rather challenging season for Ontario's tourism industry, including The Niagara Parks Commission. A decline in visitation, predominantly among American tourists, is the primary reason behind the struggles facing the sector today. In fact, Statistics Canada reported throughout the year that U.S. visits to Canada had reached their lowest levels since record keeping began by that organization in 1972.

Unfortunately, the financial implications of this downward trend impacted the Commission. Revenues generated by NPC's operations declined by almost 1% to \$78.6 Million or \$3.4 Million less than originally forecast. Attendance at Niagara Parks' attractions dropped as well, by 4% over 2005. The Commission had entered the season hoping for better results, yet issues such as higher gas prices, a lower exchange rate, world hostilities, increased competition, border issues, continued misconceptions over the need for a passport, and the arrests of terrorism suspects in Toronto, led the Parks to experience a decrease in revenue in virtually all areas of its operations.

While a reduction in revenue of just under 1% may not seem all that significant, it must be juxtaposed against a backdrop of continually rising input costs (wages, construction materials, utilities, fuel, and heating). Overall, these costs to the Commission increased by 5.5% in 2006. Financial outlays for items such as fuel and utilities are also expected to increase by as much as 5% in 2007.

The Commission had originally forecast an operational profit of \$1.7 Million in 2006. Instead, as a result of the challenges which confronted it, NPC incurred an operational loss of

\$652,000. This is of great concern, since NPC is responsible for providing over \$16 Million in public services each year (not counting capital projects), for which it receives no financial return. This includes investments in over 1,700 hectares of parklands and gardens, its historic sites, the Niagara Parkway, the Niagara River Recreation Trail and various community events and initiatives the Commission supports throughout the year. And, it must be remembered NPC does so without the support of any taxpayer dollars.

In 2006, the Commission presented to the government a detailed business case to enhance the revenue generating capabilities of Table Rock House. Close to 6 million tourists gather within Queen Victoria Park each year, making it the largest source of visitors and potential revenue for NPC to leverage. It is also here that the Commission realizes approximately 60% of all its attraction, food and beverage, retail and parking operational profits. Hence, if NPC is to maintain its financial stability while achieving continued growth, investments need to be centred in and around Queen Victoria Park and specifically Table Rock House beginning in 2007.

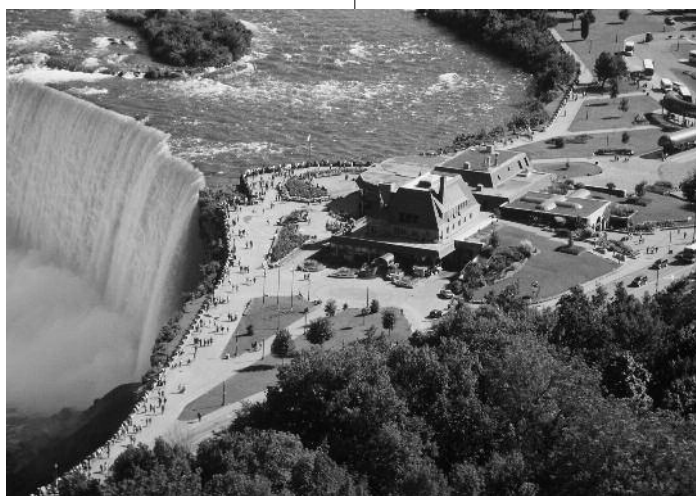


Table Rock House

2006 FAST FACTS

- NPC recorded a net loss in 2006 of \$652,000.
- Total Parks attendance decreased by 4% in 2006, reaching 4,687,785.
- U.S. visitation to Niagara Parks now accounts for 56% of all Parks visitors, a decline of 5 percentage points over 2005, and only 2 points higher than levels reached during the 2003 tourism season.
- Canadian visitation continues to grow, now accounting for 33% of all Parks visitors, an increase of 5 percentage points over the previous year. However, this increase in visitation in no way makes up for the lost revenue generated by American guests, who generate over 3 times the amount of revenue in retail sales compared to Canadian tourists.
- For the year, U.S. visitors accounted for 51% of all retail sales, while the Canadian market represented only 14%. Further, retail sales from June to August, the prime visitation months to Niagara, showed Canadian retail purchases growing by only 1%, despite the fact Canadian visitation had increased, while U.S. retail purchases declined by 13%.
- According to the Ministry, international visits to Ontario are expected to increase at an annual rate of 6.2% per year until 2010, reaching just under 3 million visitors by that time. Although international visitation may account for only 11% of all Parks visits, they currently generate approximately 35% of all NPC retail sales.
- In 2006 NPC employed 1,785 staff (297 full-time and 1,488 seasonal employees), circulating \$33.5 Million back into the Niagara region economy in payroll alone.
- This past year NPC remitted over \$3.7 Million in Retail Sales Tax to the Province.
- Operating expenses for the year totalled \$57.9 Million, including \$8.2 Million used to plant and maintain the numerous gardens and parklands which surround the Falls and extend along the length of the Niagara River.
- 220,000 Niagara Falls & Great Gorge Adventure Passes were sold to tourists visiting the Park in 2006, (163,811 Adult Passes, 64,715 Child Passes), representing over \$6.9 Million in sales.
- In 2006, the internet (www.niagaraparks.com) helped NPC achieve just under \$550,000 in pre-sold on-line sales of the Niagara Falls & Great Gorge Adventure Pass.





Year in Review

November 2005

Roberts Street Gateway Wins Award

In recognition of their efforts to revitalize and beautify Roberts Street, a significant tourism "Gateway" into Ontario from the United States, The Niagara Parks Commission, the City of Niagara Falls, the Ontario Ministries of Tourism and Transportation and the Regional Municipality of Niagara, received the Ontario Public Works Association Award for "Project of the Year" for enhancing this key tourism corridor into the community.

December 2005

NPC Helps Save Concert Series

After learning Niagara's annual New Year's Eve celebration was in jeopardy of not taking place, The Niagara Parks Commission stepped in to host and coordinate this nationally televised showcase of Niagara and Niagara Parks. Working with numerous community and business partners, a new "Party in Niagara" was organized, with acts Great Big Sea, Spirit of the West and Jonesy entertaining thousands who gathered in Queen Victoria Park to celebrate and ring in the New Year.



January 2006

NPC & Cirque Niagara Enter into Partnership Agreement

AVAIA

On January 24th, NPC Chairman Jim Williams and representatives of Cirque Niagara, announced an exciting new partnership designed to capture the imagination of today's tourism visitors. Russia's great Kantemirov Circus Family created this newest production, AVAIA, specifically with Niagara in mind. The show is a celebration of life featuring 55 equestrian theatrical riders, acrobats, cirque performers and 19 beautiful and rare horses. This newest entertainment option provides yet another compelling reason for visitors and their families to visit Niagara and Niagara Parks.

February 2006

NPC Wins 3 Business Education Awards



The Niagara Parks Commission captured three honours at the Business Education Council (BEC) annual awards ceremony held on February 10, 2006. Katherine Fisher, Dave Morris and Stu Gregory accepted the Training Excellence Award, Ontario Youth Apprenticeship Award (Service Sector) and the General Apprenticeship Award, on behalf of the Commission. As a result of these awards, Niagara Parks has been added to the BEC Hall of Fame, in recognition of its achievements and continued commitment to partnerships between business and the education sectors.

March 2006

NPC Launches Resident's Card Discount Program

Responding to the call of area golfers looking to play Niagara Parks world-class courses, The Niagara Parks Commission announced plans on March 16, 2006 to offer a Resident's Card discount at its Whirlpool and Legends on the Niagara golf courses. The program is the direct result of input gathered during NPC's community consultation exercise where local residents asked NPC to consider various new incentive programs to encourage greater local participation within the Parks system.

April 2006

School of Horticulture Graduation and Awards Ceremony

On April 8, 2006, graduation and award ceremonies were held for the students of NPC's School of Horticulture. The graduating class of 2006 included: Melanie Sifton, Laura Wallis, Joanna Kowalczyk, Brenda Verhage, Ben Willis, Josh McMeekin, Emily Gadanyi, Shelley Frank, Eric Wright, Stephen McFarlane and Megumu Kawarada (Awaji Landscape Planning and Horticultural Academy International Student).



May 2006

Live With Regis and Kelly



Oakes Garden Theatre and the Falls served as the perfect backdrop on May 22, 2006 as popular television hosts Regis Philbin and Kelly Ripa went "live" to audiences around the world with their popular morning show. The telecast marked the tenth anniversary of the show's first appearance in Niagara and it was the perfect showcase and celebration of all that Niagara has to offer. Special thanks go to partners; the City of Niagara Falls, Niagara Fallsview Casino Resort, the Ontario Ministry of Tourism, the Canadian Tourism Commission, Canadian Niagara Hotels, and various other local tourism stakeholders; for making this promotion possible.

Honouring Laura Secord

On May 25, 2006, the National Historic Sites and Monuments Board of Canada paid tribute to the memory and legacy of Laura Ingersoll Secord by unveiling a plaque outside her homestead, recognizing her as a person of national historic significance. The federal plaque now joins an Ontario Heritage Trust marker already located at the home, now protected by The Niagara Parks Commission.



Year in Review



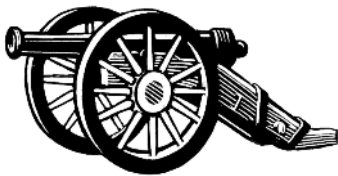
Province Supports Niagara Golf Trail

On May 27, 2006, Niagara Falls MPP Kim Craitor presented members of the Niagara Golf Trail with \$60,000 in provincial funding to further assist in a coordinated marketing effort designed to promote Niagara as the ideal golfing destination. As a result of this additional funding, a \$210,000 campaign was launched targeting residents in the northeast United States positioning Niagara as the ultimate vacation and golf getaway for golfers looking to visit Ontario.



June 2006

140th Anniversary of the Fenian Raids



On June 3, 2006, former Lieutenant Governor Lincoln Alexander, Chairman of the Ontario Heritage Trust, unveiled a provincial marker commemorating the 140th anniversary of the largest Fenian raid to enter Canada. On June 2nd, 1866, Irish veterans of the U.S. Civil War crossed into Niagara from the United States. After two days of fighting with Canadian militia units in what is now known as the Battle of Ridgeway, these Fenian troops retreated back home, where they were captured and detained by U.S. authorities. This invasion helped spur the efforts and calls for confederation in order to help protect Canadian sovereignty.



Japanese Prime Minister Visits Niagara

On June 27, 2006, NPC Commissioner and City of Niagara Falls Mayor Ted Salci had the honour of acting as official tour guide for Japanese Prime Minister Junichiro Koizumi's visit to Niagara. In Canada for bilateral talks with Canada's own P.M., Koizumi specifically requested a private visit to Niagara first, so that he could witness the "magnificence" and "beauty" of Niagara, before undertaking his official duties in Ottawa later that day.

Totem Pole & Woodcarving Park Opens

On June 28, 2006, The Niagara Parks Commission introduced its newest partnership endeavour with a unique new attraction opening on the grounds of the Niagara Glen. The new Niagara Totem Pole and Woodcarving Park features North America's largest collection of hand-carved, one-of-a-kind totem poles created by Master Carver, Frank Kim. The attraction also features regular on-site carvings and interactive demonstrations, all in a beautiful setting overlooking the Niagara Glen

and Great Gorge. The opening of the Park was a media success, having garnered press coverage throughout North America for both Mr. Kim and The Niagara Parks Commission.



July 2006

Celebrating 35-years of Public Service

To honour NPC Vice-Chairman Archie Katzman's 35-years of Public Service to both the Commission and the Province, a special charity golf fundraiser was held on July 12, 2006, at Legends on the Niagara. The event helped raise \$7,500 for the new Niagara Regional Cancer Centre. During the function Archie was presented with a special plaque from the Government of Ontario and NPC, recognizing his long and faithful service to the community. The plaque is now located at Legends, in honour of Archie's dedication and work toward the development of this world-class facility.



Nikola Tesla Monument Dedication

In honour of the 150th anniversary of the birth of Nikola Tesla, a pioneer inventor in work related to the generation of hydroelectric power, the St. George Serbian Orthodox Church in Niagara Falls spearheaded a drive to erect a statue within Queen Victoria Park to memorialize Tesla's ingenuity, contributions and belief in the power of Niagara. On July 9, 2006, the statue was officially unveiled in Queen Victoria Park near the Falls, a fitting tribute given the advent and importance of hydroelectric production to society and to The Niagara Parks Commission.

Year in Review

Jim McLean Golf School Officially Opens

If Niagara is to be considered a premier golf destination, it also needs a world-class teaching academy. So on July 24, 2006, NPC Chairman Jim Williams and world-renowned golf instructor Jim McLean teamed up to officially open the Jim McLean Golf School at Legends on the Niagara. NPC pursued this newest venture as Mr. McLean is considered one of golf's luminaries and his schools are known and respected around the globe. His prestigious new Legends academy will bring deserved profile to Niagara Parks, as the Commission looks to provide more play and stay opportunities and instructional packages for golfers looking to visit Niagara.



August 2006

Niagara Parks 2006 Student Awards

Each year Niagara Parks awards scholarships to eight student employees in recognition of their academic achievements, community involvement and work performance. On August 18, 2006, the presentation of these awards in front of both Commissioners and family members was made by Chairman Jim Williams. This year's scholarships were presented to: Paul Mastrandrea, Joel Clark,

Jenna-Leigh Morrison (Derbyshire Award), Robert Tyndall, Kathleen Feetham (Seibel Award), Donald Bocchinfuso, Vince Stranges (Harris Award) and Matthew Lingard.

September 2006

Queenston Heights Wine Cellar Recognized

NPC's efforts at promoting the best in Ontario VQA wines was recognized when Queenston Heights Restaurant was awarded the RBC Financial Group Award for best Ontario VQA wine list during the region's annual Grape and Wine Festival. This Best of Niagara Wine Cellar was designed to reflect the quality, diversity and innovation of Niagara's highly decorated and continually growing industry. Independent wine consultant David Lawrason, one of Canada's most respected wine writers and judges, worked with Parks staff to create a custom wine catalogue that NPC is proud to showcase.



October 2006

NPC Wins National Tourism Award

The 2006 Tourism Industry Association of Canada (TIAC) National Awards for Tourism Excellence were presented by the Globe and Mail on October 23, 2006, during Canada's Leadership Summit. NPC received the APR Media Ltd. Business of the Year Award – Multiple-Unit, in recognition of its outstanding contribution to the Canadian tourism industry. Joel Noden, Executive Director of Revenue Operations and Business Development proudly accepted the award on behalf of the Commission. Developed in 2003, the TIAC National Awards are a celebration of Canada's best in tourism products, services and people.

King and Queen of Sweden visit Niagara Falls

Table Rock was the place to be for royal watchers on October 26, 2006, as their Majesties King Carl Gustaf and Queen Silvia of Sweden made a stop in Niagara as part of their official visit to Canada. Ontario's Tourism Minister Jim Bradley and NPC Chairman Jim Williams greeted their Majesties and took them on a tour of the Falls from vantage points at Table Rock and from the observation deck below the Falls at the Journey Behind the Falls.



First Annual Apprentice Cooks and Chefs Showcase



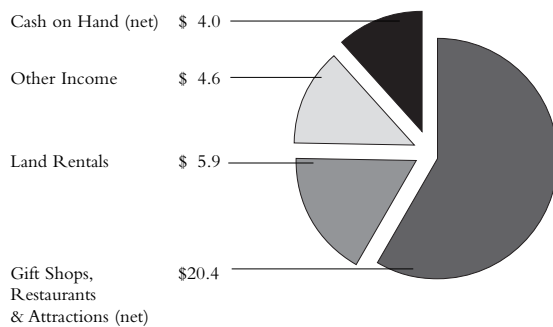
NPC showcased its growing Cooks Apprenticeship Program at the 1st Annual Apprentice Cooks and Chef Showcase dinner on October 26, 2006 at Queenston Heights Restaurant. Proceeds from the sold-out event were directed toward a new Apprentice Cooks Scholarship Fund to be awarded to a full-time student enrolled in the Cooks Apprentice Program. NPC's Chefs and 16 apprentice cooks created the six-course dinner, featuring VQA wine from seven local wineries featured in the restaurant's new award winning Best of Niagara Wine Cellar.



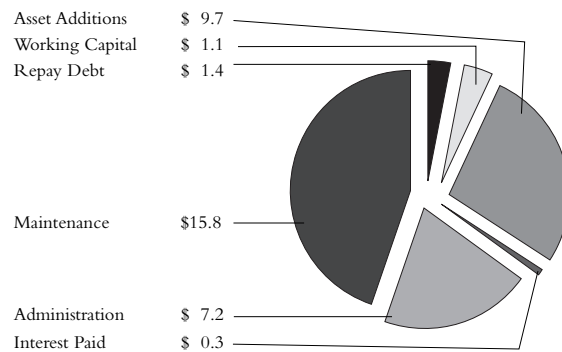
Business Climate



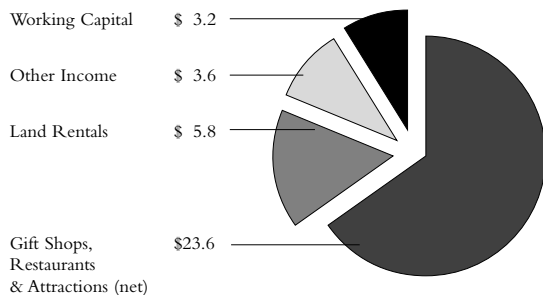
**Where Money Came From: 2006
(\$Millions)**



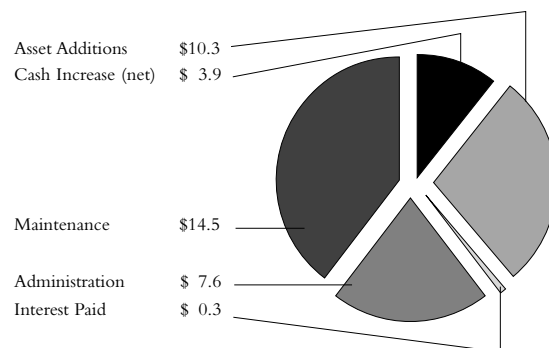
**Where Money Went: 2006
(\$Millions)**



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



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



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

	2006	% Of Sales	2005	% Of Sales
Income	\$ 68,113	100	\$ 69,871	100
Cost of Goods Sold	12,733	19	13,497	19
Gross Profit	\$ 55,380	81	\$ 56,374	81
Operating Expenditures	34,935	51	32,810	45
Net Income Before Administrative Overhead & Depreciation	\$ 20,445	30	\$ 23,564	35

Attraction Attendance

2006 Attendance – Attractions, Golf Courses, Heritage Sites & Transportation

	2006	2005	Increase or (Decrease)
Attractions			
Maid of the Mist Elevator	1,764,564	1,850,334	(85,770)
Journey Behind the Falls	926,427	984,874	(58,447)
Butterfly Conservatory	512,368	508,902	3,466
Whirlpool Aero Car	139,694	145,916	(6,222)
White Water Walk	215,150	216,310	(1,160)
Sir Adam Beck	20,995	20,110	885
Attractions Total	3,579,198	3,726,446	(147,248)
Golf			
Oak Hall Par 3 Golf Course	4,831	7,534	(2,703)
Whirlpool Golf Course	36,434	35,905	529
Legends on the Niagara Golf Complex	60,503	62,121	(1,618)
Golf Total	101,768	105,560	(3,792)
Historic Sites			
Old Fort Erie	17,642	14,794	2,848
Laura Secord Homestead	6,055	6,403	(348)
Mackenzie Printery and Newspaper Museum	2,900	3,358	(458)
McFarland House	1,451	1,338	113
Historic Sites Total	28,048	25,893	2,155
Transportation			
People Movers	237,384	276,744	(39,360)
Falls Incline Railway	741,387	798,047	(56,660)
Total	978,771	1,074,791	(96,020)
TOTAL PARK ATTENDANCE	4,687,785	4,932,690	(244,905)

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 principles. 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 15, 2006



Neil McDougall, CMA
Executive Director,
Corporate Services
December 15, 2006

AUDITORS' REPORT

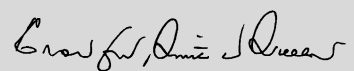
To The Niagara Parks Commission, the Minister of Tourism and the Auditor General

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, 2006 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, 2006 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 15, 2006,
Niagara Falls, Ontario

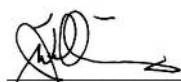
Balance Sheet ~ October 31, 2006


STATEMENT 1

	<i>(In thousands of dollars)</i>	
Assets	2006	2005
	\$	\$
Current Assets		
Cash	3,768	7,722
Accounts receivable	2,257	1,946
Inventories		
Saleable merchandise	3,432	3,531
Maintenance and other supplies	1,215	1,115
Prepaid expenses	480	529
	11,152	14,843
Fixed Assets - notes 2 and 3	133,005	131,828
	144,157	146,671
Liabilities and Equity		
Current Liabilities		
Accounts payable	5,646	6,496
Accrued payroll	1,854	1,800
Current portion of long-term financing	1,109	1,339
	8,609	9,635
Long-Term Financing - note 3	3,008	4,022
Post-Employment Benefits - note 4	3,294	3,116
Commitments - note 6		
Contingencies - note 7		
Equity - Statement 2	129,246	129,898
	144,157	146,671

see accompanying notes

Signed on behalf of the Commission:





Chairman

Commissioner

Statement of Equity ~ for the year ended October 31, 2006

STATEMENT 2

	<i>(In thousands of dollars)</i>	
	2006	2005
	\$	\$
Equity, Beginning of Year	129,898	126,817
Net Income (Loss) for the Year – Statement 3	(652)	3,081
Equity, End of Year	129,246	129,898

see accompanying notes

Statement of Operations ~ for the year ended October 31, 2006

STATEMENT 3

	<i>(In thousands of dollars)</i>	
	2006	2005
	\$	\$
Income		
Gift shops, restaurants and attractions	68,113	69,871
Land rent	5,914	5,806
Commissions, rentals and fees	3,971	3,067
Premium on United States funds – net	460	472
Gain (loss) on disposal of fixed assets – net	(3)	33
Sundry income	202	43
	<hr/> 78,657	<hr/> 79,292
Expenses		
Gift shops, restaurants and attractions		
Cost of goods sold	12,733	13,497
Operating expenses	31,075	29,723
Maintenance	13,178	11,977
Administrative and police	9,819	10,140
Marketing and promotion	3,860	3,087
	<hr/> 70,665	<hr/> 68,424
Net Income for the Year before		
Undernoted Items	7,992	10,868
Other Items		
Interest expense – net – note 8	305	277
Depreciation – note 9	8,339	7,510
	<hr/> 8,644	<hr/> 7,787
Net Income (Loss) for the Year	<hr/> (652)	<hr/> 3,081

see accompanying notes

Statement of Cash Flows ~ for the year ended October 31, 2006

STATEMENT 4

	<i>(In thousands of dollars)</i>	
	2006	2005
	\$	\$
Operating Activities		
Net income (loss) for the year	(652)	3,081
Charges against income not requiring an outlay of funds		
- post-employment benefits	376	345
- depreciation	8,339	7,510
- loss (gain) on disposal of fixed assets - net	216	(33)
	8,279	10,903
Net change in non-cash working capital balances related to operations - note 11	(1,059)	3,288
Funds provided by operating activities	7,220	14,191
Investing Activities		
Fixed asset acquisitions - note 11	(9,764)	(10,352)
Proceeds on sale of fixed assets	32	37
Funds used by investing activities	(9,732)	(10,315)
Financing Activities		
Net increase (decrease) in long-term financing	(1,244)	5,211
Cash outlay related to post-employment benefits	(198)	(205)
Funds provided (used) by financing activities	(1,442)	5,006
Increase (Decrease) in Cash Position	(3,954)	8,882
Cash Position (Deficiency), Beginning of Year	7,722	(1,160)
Cash Position, End of Year	3,768	7,722

see accompanying notes

Notes to Financial Statements ~ for the year ended October 31, 2006

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 33 per cent for buildings, roadways and structures, 10 to 33 per cent for equipment and furnishings and from 8 to 33 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

	<i>(In thousands of dollars)</i>			
	Cost	Accumulated Depreciation	2006	2005
	\$	\$	\$	\$
Land	13,555	—	13,555	13,555
Land improvements	17,135	—	17,135	17,091
Buildings, roadways and structures	152,178	63,531	88,647	89,966
Equipment and furnishings	34,174	24,241	9,933	9,625
Vehicles	9,478	7,561	1,917	730
	226,520	95,333	131,187	130,967
Capital works in progress	1,818	—	1,818	861
	228,338	95,333	133,005	131,828

Notes to Financial Statements ~ for the year ended October 31, 2006

3. Long-Term Financing

(In thousands of dollars)

	2006	2005
	\$	\$
Fixed rate term loan requiring principal payments of \$1,000,000 per annum, bearing interest at 4.01% through to December, 2009	4,000	5,000
The Commission has an obligation under capital lease, bearing interest of nil, requiring one payment of \$ 81,363 to November, 2006, secured by equipment with a net book value of \$ 243,607	81	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 \$ 58,722	13	44
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 \$ 20,705	9	19
The Commission has an obligation under capital lease, bearing interest of nil, requiring monthly payments of \$ 489 to October, 2009, secured by equipment with a net book value of \$ 14,171	14	—
	4,117	5,361
Less portion due within one year	1,109	1,339
	3,008	4,022

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

(In thousands of dollars)

	\$
2007	1,109
2008	1,006
2009	1,002
2010	1,000

4. Post-Employment Benefits

Defined Termination Benefit

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, 2006 is \$ 3,294,058 (2005 - \$ 3,115,931).

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, 2006 is \$ 3,359,635 (2005 - \$ 3,181,508). 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.

Notes to Financial Statements ~ for the year ended October 31, 2006

4. Post-Employment Benefits cont'd.

Defined Termination Benefit cont'd.

Defined Benefit Plan Information

(In thousands of dollars)

	2006	2005
	\$	\$
Employee benefit plan assets	—	—
Employee benefit plan liabilities	3,294	3,116
Employee benefit plan deficit	3,294	3,116
Benefit obligation recognized on the balance sheet		
Benefit obligation, beginning of year	3,116	2,976
Expense for the year	376	345
Benefits paid during the year	(198)	(205)
Benefit obligation, end of year	3,294	3,116

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.

Pension 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 \$ 1,522,827 (2005 – \$ 1,404,290) and are 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.

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 \$ 1,260,000 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.

Notes to Financial Statements ~ for the year ended October 31, 2006

8. Interest Expense

(In thousands of dollars)

	2006	2005
	\$	\$
Interest income	(135)	(64)
Loan interest expense	440	341
	305	277

9. Depreciation

(In thousands of dollars)

	2006	2005
	\$	\$
Depreciation of income producing assets	4,894	4,399
Depreciation of non-income producing assets	3,445	3,111
	8,339	7,510

10. Operating Leases

The Commission leases vehicles, equipment and premises under operating leases expiring in various years through 2010. The total obligation under operating leases amounts to approximately \$ 749,941.

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

(In thousands of dollars)

	\$
2007	305
2008	222
2009	143
2010	80

11. Statement of Cash Flows

Changes in working capital components include:

(In thousands of dollars)

	2006	2005
	\$	\$
Accounts receivable	(311)	204
Inventories	(1)	641
Prepaid expenses	49	75
Accounts payable and accrued payroll	(796)	2,368
	(1,059)	3,288

Acquisition of fixed assets

During the year, fixed assets were acquired at an aggregate cost of \$ 9,764,000 (2005 - \$ 10,352,000) of which \$ 17,000 (2005 - \$ 487,000) was acquired by means of capital leases. Cash payments of \$ 9,747,000 (2005 - \$ 9,865,000) were made to purchase fixed assets.

Notes to Financial Statements ~ for the year ended October 31, 2006

11. Statement of Cash Flows cont'd.

	<i>(In thousands of dollars)</i>	
Interest	2006	2005
	\$	\$
Interest received	135	64
Interest paid	398	170

12. 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 \$ 1,151,987 that is denominated in US dollars. This account has been converted to the Canadian equivalent at the rate of \$ 1 US equals \$ 1.1270 Canadian. The Commission realizes approximately 14.4% (2005 - 17.3%) 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 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.

13. 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.