

**THE CHURCHILL CORPORATION**  
**(TSX: CUQ)**

**ANNUAL INFORMATION FORM**  
**(Form 44-101F1)**

**APRIL 20, 2004**

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## **ITEM 2: CORPORATE STRUCTURE**

### **2.1 Name and Incorporation**

#### **Full Corporate Name of the Issuer**

The Churchill Corporation

#### **Incorporation**

The Churchill Corporation (“Churchill”, “the Corporation” or “the Issuer”) was incorporated as Churchill Development Corporation Ltd. on August 31, 1981 under the Companies Act of Alberta and was continued under the Business Corporations Act (Alberta) on July 30, 1985. The name of the Corporation was changed to The Churchill Corporation by Certificate of Amendment dated July 30, 1985. On June 30, 1987, Churchill acquired A.I.L. – Alberta Investments Ltd. (“AIL”), a closed end mutual fund listed on the Alberta Stock Exchange (the “ASE”), and became a reporting issuer pursuant to an order of the Alberta Securities Commission. Churchill amalgamated with AIL on December 31, 1987 and Churchill Common Shares were listed and accepted for trading by the ASE on December 1, 1987. On December 8, 1999, Churchill Common Shares were listed for trading on the Toronto Stock Exchange (the “TSX”). On January 30, 2000 Churchill consolidated its trading onto the TSX and dropped its listing on the ASE, which was then the Canadian Venture Exchange.

#### **Material Amendments to Charter**

The following material amendments have been made to the articles and other constating documents of the Corporation:

- Certificate and Special Resolution filed June 28, 1985 to reorganize the Corporation's share capital to consolidate the Class “A” Common Shares and the Class “B” Common Shares, modify the Memorandum of Association of the Corporation, authorize the issuance of up to 110,000,000 Class “A” Common Shares and convert all issued and outstanding Class “A” Common Shares and all issued and outstanding Class “B” Common Shares into Class “A” Common Shares on a one-for-one basis.
- Certificate and Articles of Amendment filed July 30, 1985 to change the name of the Corporation from Churchill Development Corporation Ltd. to The Churchill Corporation.
- Certificate and Articles of Amalgamation filed December 31, 1987 to amalgamate The Churchill Corporation and A.I.L. – Alberta Investments Ltd.
- Amended By-law approved by the Board of Directors of the Corporation (the “Board”) and ratified by the Shareholders at the Annual and Special Meeting of Shareholders held May 19, 1999 to reduce the quorum requirement for meetings of shareholders from 30% to 10% of outstanding shares.
- Certificate and Articles of Amendment filed June 13, 2000 to:
  - Change the authorized share capital of the Corporation as follows: a) change the designation of the authorized and issued “Class A Common Shares” to “Common Shares”; b) change the maximum number of Common Shares that may be issued to an unlimited number; c) cancel the authorized classes and series of preferred shares; and d) create an unlimited number of a new class of shares designated as “Preferred Shares”, issuable in series.

- Provide that meetings of shareholders of the Corporation may be held inside or outside of Alberta, at any place in Canada.
- Permit the Directors to appoint one or more additional Directors between annual meetings, with the number of additional Directors not to exceed one-third of the number of Directors who held office at the expiration of the last annual meeting of the Corporation.

## 2.2 Intercorporate Relationships

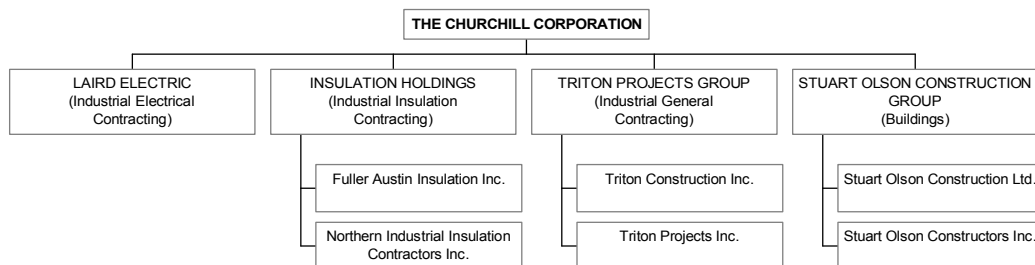
### Subsidiaries

The following table lists the principal subsidiaries of the Corporation, their jurisdiction of incorporation and the percentage of voting and non-voting shares thereof, which are owned, directly or indirectly, by the Corporation.

#### PRINCIPAL SUBSIDIARIES

Name	Jurisdiction of Incorporation or Continuance	% Voting Shares	% Non-voting Shares
Stuart Olson Construction Ltd.	Alberta	100	N/A
Stuart Olson Constructors Inc.	Alberta	100	N/A
Insulation Holdings Inc.	Alberta	100	N/A
Fuller Austin Insulation Inc.	Alberta	100	N/A
Northern Industrial Insulation Contractors Inc.	Alberta	100	N/A
Triton Construction Inc.	Alberta	100	N/A
Triton Projects Inc.	Alberta	100	N/A
Laird Electric Inc.	Alberta	100	N/A

The organizational structure of the Corporation and its principal subsidiaries outlined above is as is set forth below:



## ITEM 3: GENERAL DEVELOPMENT OF THE BUSINESS

### 3.1 Overview and Three-Year History

Prior to January 1, 1989, Churchill was primarily a real estate development corporation with minor interests in a travel agency and several other operating companies. On January 1, 1989, Churchill acquired a group of construction company interests including Stuart Olson Construction Ltd. and its subsidiaries Fuller Austin Insulation Inc. and Northern Industrial Insulation Contractors Inc. Churchill subsequently acquired majority ownership of the Triton Projects group of companies and, with the subsequent purchase by Triton Projects of the minority ownership interests, Churchill's ownership interest has since increased to 100%. During the past three years, Churchill or its subsidiaries have acquired Lakehead Insulation Inc. and Laird Electric Inc. The Stuart Olson Construction group of companies ("Stuart Olson"), Fuller Austin Insulation Inc., Northern Industrial Insulation Contractors Inc., the Triton Projects group of companies ("Triton Projects") and Laird Electric Inc. now represent the main business activity of Churchill. Churchill is now a construction and industrial maintenance and services business, serving the building and industrial markets, primarily in western Canada.

The discussion of trends and anticipated changes in the Corporation's business that are expected to occur during the current financial year included in the Report to Shareholders, Operations and Management's Discussion and Analysis sections on pages 3 to 29 of the Corporation's 2003 Annual Report are incorporated herein by reference and these trends and anticipated changes are substantially unchanged.

### 3.2 Significant Acquisitions, Repurchase of Minority Interest and Sale of Assets

#### **Acquisition of Lakehead Insulation**

On January 17, 2002, Churchill subsidiary Fuller Austin Insulation Inc. acquired all of the issued and outstanding shares of Lakehead Insulation Inc., an insulation contractor based in Thunder Bay, Ontario, for \$.7 million plus future consideration based on Lakehead Insulation earnings during the three-year period ending December 31, 2004.

The values assigned to the acquired net assets were:

(\$ millions)

Cash	\$	.1
Other Working Capital Items		.2
Property and Equipment		.5
Future Income Tax Liabilities		(.1)
	\$	.7

## Acquisition of Laird Electric

On February 7, 2003, Churchill acquired all of the issued and outstanding shares of Laird Electric Inc., an electrical, instrumentation and power-line construction and maintenance contractor based in Fort McMurray, Alberta with expanding operations in the Edmonton, Alberta area. The \$10.7 million purchase price was comprised of \$8.5 million cash and the issuance from treasury of 826,412 Common Shares of the Corporation. In conjunction with the acquisition, the Corporation borrowed \$8.0 million by way of secured, floating-rate term debt. This acquisition was reported on page 44 of the Issuer's 2002 Annual Report as a subsequent event in the Notes to the Issuer's 2002 Consolidated Statements and discussed on pages 24 and 36 of the Issuer's 2003 Annual Report, incorporated herein by reference.

The values assigned to the acquired net assets were:

(\$ millions)	
Cash	\$ 1.0
Other Working Capital Items	5.2
Property and Equipment	1.0
Intangible Assets	1.5
Goodwill	\$ 8.3
Long-term Debt	(.3)
Shareholders' Loans	(5.4)
Future Income Tax Liabilities	(.6)
	<hr/>
	\$ 10.7

The purchase price consisted of:

Common Shares	\$ 2.2
Cash	8.5
	<hr/>
	\$ 10.7

Intangible assets were acquired totaling \$1.5 million. The intangibles relate to a customer contract valued on a discounted net present value basis of \$.5, and employment contracts valued at their recoverable value of \$1.0 million in the event of the departure of the employees.

Up to \$1.0 million of the purchase price is recoverable in the event that either of the key individuals leave Laird's employ prior to December 31, 2005 or if Laird does not achieve a cumulative financial performance objective by December 31, 2005. Potential repayments under these agreements are secured by 413,205 shares of the Corporation held by an escrow agent without further recourse. The final purchase price, and values assigned to certain assets, may vary from those shown above, once the final adjustment period has expired.

## **Repurchase of Triton Projects Minority Interest**

Churchill subsidiary Triton Projects purchased the interest of various withdrawing minority shareholders of Triton Projects Inc. and withdrawing minority partners of Triton Projects Limited Partnership in 1998, 1999 and 2001, with the result that Churchill's ownership interest in the Triton Projects group of companies increased from 80% to 100%.

## **Sale of Assets of Lafrentz Road Services ("Lafrentz")**

Churchill's 41% interest in the Lafrentz Road Services business was deemed to be non-essential and was sold in early 2003. The distributed proceeds received on the sale were \$1.6 million, resulting in the Corporation recording a small gain. This sale was referred to on page 26 of the Corporation's 2002 Annual Report and pages 25 and 41 of the Corporation's 2003 Annual Report, which are incorporated herein by reference.

### **3.3 Trends**

There is no particular trend, commitment, event or uncertainty that is both presently known to management and reasonably expected to have a material effect on the Issuer's business, financial condition or results of operations. The discussion of trends included in the Report to Shareholders, Operations and Management's Discussion and Analysis sections on pages 3 to 29 of the Issuer's 2003 Annual Report is incorporated herein by reference. There has been no material change from the forward-looking information included on these pages of the Issuer's 2003 Annual Report based on the Issuer's expectations as of the date of this Annual Information Form.

## ITEM 4: NARRATIVE DESCRIPTION OF THE BUSINESS

### 4.1 General

#### A. Overview

Churchill provides building construction, heavy-industrial general construction, fabrication, insulation, electrical, instrumentation, power-line construction and maintenance and related services throughout western Canada, northwestern Ontario and the Northwest Territories, through wholly owned subsidiaries. Churchill's overall construction operations incurred a loss in 2003, for the first time in eleven years. The building construction and industrial construction and maintenance services markets were impacted during the year by client generated delays in project starts, as well as a cyclical lag in the industrial construction market. Churchill's markets are expected to improve in 2004 as many of the large industrial projects move into the construction phase. On December 31, 2003, Churchill had year-end work-in-hand of \$313.7 million, as compared to \$317.3 million on December 31, 2002. For those business segments owned at December 31, 2002 and December 31, 2003, work-in-hand was down \$27.4 million, or 8.6%, while Laird, acquired during the year, had work-in-hand of \$23.8 million at December 31, 2003.

The services provided by each reportable operating segment of the Issuer are sold directly to: clients; clients' engineers or architects; industrial general contractors; or engineering-procurement-construction ("EPC") contractors. Sales and marketing activities include: maintaining relationships with previous clients and prospecting for new opportunities through personal contact, submitting bids and proposals and limited advertising.

Large industrial projects are increasingly being constructed utilizing the off-site fabrication of modules that are then transported to the jobsite and assembled. In late 2003 Churchill initiated the construction of a modular fabrication facility near Edmonton. It is expected to be in operation by mid 2004 and provide opportunities for new projects to Churchill's industrial companies.

While Churchill is active throughout western Canada, northwestern Ontario and the Northwest Territories, 65% to 75% of consolidated revenue is generated in Alberta.

A shortage of experienced personnel is a continuing challenge in both the commercial construction and the industrial construction and maintenance sectors.

The nature of Churchill's business is such that the sources, pricing and availability of raw materials, component parts or finished products are not a significant factor in any of the Corporation's reportable operating segments.

Expenditures on research and development activities are modest in all of Churchill's reportable operating segments.

The nature of the business is such that the importance, duration and effect on all of Churchill's reportable operating segments of identifiable intangible properties, such as brand names, circulation lists, copyrights, franchises, patents, software, subscription lists and trademarks, is limited.

Churchill's operating companies have each been in business for many years. Relationships with clients, subcontractors and suppliers, contracts with clients and the goodwill associated with trade names, demonstrated project capabilities and past relationships have an impact on the business.

The business of each reportable operating segment of the Corporation is somewhat cyclical and seasonal, as described in more detail in sections 4.1B through 4.1F of this Annual Information Form.

The Corporation was managed using five operating segments in 2003, as defined in the Canadian Institute of Chartered Accountants Handbook, as follows: Buildings, Industrial General Contracting, Industrial Insulation Contracting, Industrial Electrical Contracting, and Corporate and Other.

Buildings is active in the construction of commercial, institutional, light-industrial and multi-unit residential buildings.

Industrial General Contracting includes heavy-industrial general contracting, fabrication, site work and ongoing maintenance.

Industrial Insulation Contracting includes all insulation, siding, fireproofing, asbestos abatement and plant maintenance services including, in certain instances, services provided to our industrial general contracting and industrial electrical contracting companies.

Industrial Electrical Contracting includes industrial electrical, instrumentation and power-line construction and maintenance services including, in certain instances, services provided to our industrial general contracting companies.

Corporate and Other includes the Corporation's non-core investments as well as all corporate costs not allocated directly to another business segment.

### Contract Revenue by Operating Segment

Contract Revenue from these reportable operating segments of the Corporation is set forth in the following table:

Year Ended December 31 (\$ thousands)	2003		2002		Increase (Decrease) 2003 over 2002 (%)
	\$	%	\$	%	
<b>Segment</b>					
Buildings	\$192,610	60	\$223,722	72	(14)
Industrial General Contracting	38,660	12	44,477	14	(13)
Industrial Insulation Contracting	63,939	20	44,256	14	44
Industrial Electrical Contracting	25,579	8	0	0	N/A
Corporate and Other	0	0	0	0	0
Inter-segment Adjustments	(1,596)	0	(792)	0	0
Total Contract Revenue	\$319,192 =====	100% =====	\$311,663 =====	100% =====	2% =====

The following sections 4.1B through 4.1F of this Annual Information Form contain descriptions of the business, services, markets and competitive environment of each of the reportable operating segments of the Corporation.

## **B. Buildings**

Stuart Olson provides general contracting, construction management and design-build services to private and public sector clients in the commercial, light-industrial and institutional sectors. Stuart Olson projects generally entail the construction, expansion or renovation of a building.

Stuart Olson incurred a loss from construction operations of \$2.6 million on contract revenue of \$192.6 million in 2003.

Stuart Olson has branch offices in Vancouver, Edmonton, Lethbridge and Calgary. Stuart Olson is active primarily in Alberta and British Columbia. The company had a small satellite office in Victoria, B.C. that was closed down in 2003 due to a lack of project opportunities.

Most Stuart Olson revenue is procured with repeat clients or through select invitational tenders, reflecting the effectiveness of its target marketing and client development. Less than 20% of revenue is generated from fixed-price bids. Stuart Olson subcontracts up to 90% of project work to subcontractors and suppliers and manages the construction process to deliver a successful project. This high degree of subcontracting reduces the capital required to operate and to grow the business. Under normal market conditions, Stuart Olson has generally achieved contract income margins of 4% to 6% of contract revenue. Margins were lower than this range in 2003, primarily due to tighter market conditions, causing lower bid margins.

Stuart Olson is a leader in alternative methods of project delivery, including construction management and design-build, which complement its general contracting capabilities. These methods entail working with clients and a design team early in the planning phase of a project to value-engineer the design and plan the construction process. These methods enhance client value through increased certainty of project completion on time and on budget and can also provide a single source of responsibility. These methods of project delivery can help build long-term relationships with clients while also lowering Stuart Olson risk and improving margins. Stuart Olson has completed many private and public sector projects under these alternative methods, which now generate more than 80% of the company's revenue.

Stuart Olson has expanded its participation in the larger projects market during the last five years by leveraging its large project experience and Churchill's financial strength. Larger projects have a longer duration, which enhances the predictability and sustainability of revenue and earnings.

Stuart Olson has significant expertise in completing projects in a wide range of sectors, including:

- education
- recreation
- multi-unit residential
- retail
- hospitality
- high technology office, biotechnology and laboratory facilities
- food processing and distribution facilities
- office buildings
- healthcare and seniors' care
- light-industrial
- public sector construction management

This diversity enhances the predictability and sustainability of revenue.

The building construction market is highly competitive with relatively low barriers to entry. Stuart Olson has several capable and well-established competitors. Stuart Olson is one of the three largest building contractors in Alberta and British Columbia and has maintained market share. Stuart Olson has been in business since 1939 and has developed strong relationships with clients, subcontractors and suppliers.

Competitive factors include:

- price and approach to project execution
- relevant project experience
- client relationships
- quality of service
- record in completing similar projects on time and on budget
- subcontractor relationships
- strength of project team
- performance bonding capability and financial strength.

Stuart Olson's business is not particularly seasonal due to the larger size of their projects, although working conditions and productivity can be impacted by weather conditions during the winter months.

### **C. Industrial General Contracting**

Triton Projects provides heavy-industrial general contracting, fabrication and maintenance services to the resource and industrial sectors. Triton Projects clients are primarily in the oil and gas, petrochemical, power, mining and forest products industries. Triton Projects is active primarily in Alberta, although the company also has recent project experience in Saskatchewan and British Columbia. Triton Projects is one of the largest open-shop mechanical contractors in its region.

Triton Projects incurred a loss from construction operations of \$2.9 million on revenue of \$38.7 million in 2003.

Triton Projects provides a range of complementary services, including:

- plant-site preparation
- installation of pilings and foundations
- fabrication and erection of structural steel and piping
- equipment setting and assembly
- fabrication and installation of process equipment modules
- small diameter pipeline construction
- building erection, electrical, instrumentation, painting and insulation
- industrial maintenance (including on-stream, shutdowns and turnarounds)
- estimating, planning and cost control services

Triton Projects has significant experience in dismantling and relocating existing facilities plus well-site abatement and restoration, in addition to new construction.

Triton Projects is based in Edmonton, Alberta with a sales and marketing office in Calgary, Alberta and operations in Fort McMurray and Bonnyville, Alberta. Triton has a base of recurring revenue from providing maintenance services to clients in the expanding heavy oil sector in the Bonnyville region. Under normal market conditions, Triton Projects has generally achieved contract income margins of 10% to 16% of contract revenue. Cyclical slowness and delayed project starts resulted in increased competitive intensity in 2003 and these historic margins were not achieved.

The volume of Triton's work on new capital projects tends to be somewhat seasonal with slower activity in the first two calendar quarters. Plant maintenance activity tends to be more consistent throughout the year.

Triton Projects has several large and capable competitors in each of its geographic markets and areas of service. Triton Projects has been in business since 1953, building long-term relationships with clients and subcontractors. It has a reputation for reliability, safety, quality control and efficiency.

Competitive factors include:

- price and approach to project execution
- relationships with clients and client representatives
- scope of service capabilities
- quality of service
- record in completing similar projects on time and on budget
- safety programs and record
- performance bonding capability and financial strength
- experience in completing similar projects on time and on budget.

## **D. Industrial Insulation Contracting**

Insulation Holdings consists of two independent industrial insulation contractors, serving the building-trades union market through Fuller Austin Insulation Inc. ("Fuller Austin") and the open-shop market through Northern Industrial Insulation Inc. ("Northern Industrial"). These companies each provide an integrated range of services, including industrial thermal and acoustic insulation, fireproofing and fire stopping, asbestos abatement, siding application and plant maintenance. These companies primarily serve the petrochemical, oil and gas, power generation, utilities, forest products, pipeline and mining industries

Churchill's insulation business achieved earnings from construction operations of \$2.5 million on revenue of \$63.9 million in 2003.

With offices in Edmonton, Calgary, Fort McMurray and Bonnyville, Alberta; Regina, Saskatchewan and (through the acquisition of Lakehead Insulation Inc. ("Lakehead") in January, 2002) Thunder Bay, Ontario, the insulation businesses are well positioned to serve clients from British Columbia to northwestern Ontario. Fuller Austin is one of the largest industrial insulation and related service contractors in Canada.

Fuller Austin, Northern Industrial and Lakehead are positioned to benefit from the trend of industrial clients outsourcing maintenance services to preferred contractors. The insulation companies have generally achieved contract income margins of 12% to 18% of contract revenue.

Although work conditions and productivity are impacted by weather conditions, the volume of insulation business activity for new capital projects is not particularly seasonal in nature. Plant maintenance activity is strongest during the second and fourth calendar quarters.

Fuller Austin, Northern Industrial and Lakehead have several large and capable competitors in each of their geographic markets and areas of service. The companies provide a more comprehensive range of services than most of their competitors, which enables them to deliver a single-source solution to clients. Fuller Austin has been in business since 1961, Northern Industrial since 1988 and Lakehead since 1953. Each company has a reputation for reliability, safety and efficiency.

Other competitive factors include:

- price and approach to project execution
- relationships with clients and client representatives
- scope of service capabilities
- quality of service
- record in completing similar projects on time and on budget
- safety programs and record
- performance bonding capability and financial strength
- experience in completing similar projects on time and on budget.

## **E. Industrial Electrical Contracting**

Laird Electric Inc. ("Laird") provides industrial and commercial electrical, instrumentation and power-line construction and maintenance services. Laird primarily serves the resource and industrial sectors, including the oil sands, oil and gas, petrochemical and power generation markets. Laird is based in Fort McMurray, Alberta and also has an office in Edmonton, Alberta.

Laird achieved earnings from construction operations of \$1.2 million on revenue of \$25.6 million in 2003.

The company has been in business since 1962. Laird has established long-term relationships with major oil and gas and power generating companies in the Fort McMurray and Edmonton regions. The company generates 40% to 60% of its revenue from providing maintenance services. Subsequent to the acquisition by Churchill in 2003, key members have remained with the company in their previous roles.

Although field conditions and productivity are impacted by weather conditions, the volume of electrical construction activity is not particularly seasonal for new capital projects. Electrical maintenance activities are generally greater during the second quarter of the year.

Under normal market conditions, Laird has generally achieved contract income margins of 12% to 18% of contract revenue.

Laird has several large and capable competitors in the union electrical, instrumentation and power-line construction and maintenance area. The company is one of the three largest union electrical contractors in the Fort McMurray and Edmonton areas. Laird provides a broader range of complementary services than most of its competitors and has a reputation for reliability, safety, quality control and efficiency.

Competitive factors include:

- price and approach to project execution
- management information and cost management systems
- client relationships
- scope of service capabilities
- quality of service
- record in completing similar projects on time and on budget
- safety programs and record
- performance bonding capability and financial strength
- experience in completing similar projects on time and on budget.

## **F. Corporate and Other**

In addition to its core reportable operating segments, Churchill formerly held 41% ownership of Lafrentz Road Services Ltd., an Edmonton-based road markings company. During 2003 Lafrentz Road Services Ltd. sold its operating assets, distributed the net cash received to its owners, and changed its name to LCT Holdings Ltd. As at December 31, 2003 LCT Holdings Ltd. is an inactive company, as discussed in Note 15 on page 41 of the Churchill 2003 Annual Report, incorporated herein by reference.

## **G. Contracts**

There are no material aspects of the business of Churchill or its reportable operating segments that are anticipated to be affected in the current financial year by renegotiation or termination of contracts or sub-contracts, outside of the normal course of business of the Corporation.

## **H. Environmental**

Churchill and its subsidiaries are subject to federal, provincial and municipal environmental legislation and regulations in its construction and maintenance operations. Churchill recognizes it must conduct its business in a manner that protects and preserves the environment and complies with applicable legislation and regulation. Churchill and its subsidiaries have training programs, policies and procedures, as well as compliance procedures, to proactively manage environmental issues and comply with applicable legislation, regulations and conditions of permits and approvals.

The financial and operational effects of environmental protection requirements on the capital expenditures, earnings and competitive positions of Churchill and its reportable operating segments are not expected to be material in the current financial year.

Churchill management believes the operations of the Corporation are in substantial compliance with all material federal, provincial and municipal laws and regulations as they relate to the environment.

## **I. Employees**

Churchill and its subsidiaries had 245 full-time salaried employees on December 31, 2003. Its operating subsidiaries also employ additional construction personnel on an hourly basis, which vary within a range of 200 to 2,000 people depending on the number, size and stage of active projects. On December 31, 2003, Churchill and its subsidiaries employed 484 personnel on an hourly basis.

## **J. Foreign Operations**

None of Churchill or its reportable operating segments has generated material revenue outside of Canada during the last five financial years and no material foreign revenue is anticipated in 2004. Therefore, there are no risks associated with foreign operations of Churchill or any other material dependence by any reportable operating segment upon foreign operations.

## **K. Bankruptcy, Receivership or Similar Proceedings**

There have been no bankruptcy, receivership or similar proceedings against the Corporation or any of its subsidiaries, or any voluntary bankruptcy, receivership or similar proceedings by the Corporation or any of its subsidiaries, within the three most recently completed financial years or the current financial year.

## **L. Material Reorganizations**

There have been no material reorganizations of the Corporation or any of its subsidiaries within the three most recently completed financial years or the current financial year.

## ITEM 5: SELECTED CONSOLIDATED FINANCIAL INFORMATION

### 5.1 Annual Information

The following table sets forth selected financial information of the Corporation for each of the last three fiscal years ended December 31, 2003.

(\$ in thousands, except per share data)	2003	2002	2001
Contract Revenue	\$319,192	\$311,663	\$293,462
Net (Loss) Earnings	(3,657)	982	5,318
Net (Loss) Earnings per Common Share			
* Basic	(0.31)	0.09	0.50
* Fully Diluted	(0.31)	0.09	0.47
Total Assets	102,829	98,970	103,850
Total Long-term Financial Liabilities	7,499	362	1,524
Cash Dividends per Common Share	Nil	Nil	Nil

The unaudited consolidated financial information set forth above has been derived from consolidated financial statements, which have been audited by Deloitte & Touche LLP, Chartered Accountants.

A discussion of the factors affecting the comparability of the summary financial data set forth above, including changes in accounting policies, significant acquisitions or significant dispositions and major changes in the direction of the business are set forth (as applicable) in the 2001, 2002 and 2003 Annual Reports of the Issuer, incorporated herein by reference.

### 5.2 Dividends

The only restrictions on the Corporation paying dividends are the financial capacity and solvency tests under the Alberta Business Corporations Act, and the covenants under its borrowing agreements.

The Corporation's current policy is not to pay dividends. Net earnings are being invested in operations and in growth opportunities.

### **5.3 Normal Course Issuer Bid**

For each of the past three years Churchill has put a Normal Course Issuer Bid in place with the approval of the Toronto Stock Exchange ("TSX").

On January 10, 2001, Churchill initiated a Normal Course Issuer Bid under which it was able to purchase up to 790,000 Shares, of which 22,600 Shares were purchased at an average cost of \$2.15. On January 10, 2002, Churchill initiated another Bid under which it was able to purchase up to 780,000 Shares, of which 149,600 Shares were purchased at an average cost of \$2.51. On January 22, 2003, Churchill initiated a Bid under which it was able to purchase up to 800,000 Shares, of which 26,100 shares were purchased at an average cost of \$2.33 prior to its expiry on January 21, 2004. On February 22, 2004 Churchill initiated another Bid under which it is able to purchase up to 900,000 shares, of which no shares have been purchased to date.

### **5.4 Foreign Accounting Principles**

Not applicable

## ITEM 6: MANAGEMENT'S DISCUSSION AND ANALYSIS

### 6.1 Form 44-101F2 Disclosure MANAGEMENT'S DISCUSSION AND ANALYSIS (for the financial year ended December 31, 2003)

The following discussion and analysis of the operating performance and financial position of Churchill should be read in conjunction with the December 31, 2003 Consolidated Financial Statements and related Notes on pages 30 to 44 and the Report to Shareholders on pages 3 to 9 of the Issuer's 2003 Annual Report, incorporated herein by reference.

#### A. Key Operating Results

The following tables set forth certain unaudited historic operating results and financial information referred to in this management's discussion and analysis:

Years ended December 31

(\$ thousands, except for percentages and per share amounts)

	2003	2003 Excluding Laird	2002
Contract Revenue	\$319,192	\$293,613	\$311,663
Contract Income	20,015	16,223	20,639
Contract Income (%)	6.3%	5.5%	6.6%
(Loss) Earnings from Construction Operations	(4,776)	(5,949)	119
(Loss) Earnings Before Income Taxes	(4,594)		546
Net (Loss) Earnings	(3,657)		982
Net (Loss) Earnings per Common Share (Basic)	(0.31)		0.09
Net (Loss) Earnings per Common Share (Fully Diluted)	(0.31)		0.09
Working Capital	17,556		21,175
Working Capital Ratio	1.27		1.32
Capital Expenditures	2,411		4,154
Shareholders' Equity	30,481		31,681
Book Value per Common Share	2.57		2.92
Work-in-Hand	313,712		317,266

## Quarterly Financial Information

(\$ millions, except per share amounts)	2003				2002			
	Mar.31	June 30	Sept. 30	Dec. 31	Mar.31	June 30	Sept. 30	Dec. 31
Contract Revenue	\$62.2	\$77.2	\$84.2	\$95.6	\$67.1	\$75.0	\$85.0	\$84.6
(Loss) Earnings before tax	(2.9)	(3.9)	1.9	0.3	0.7	1.3	(0.6)	(0.9)
Net (Loss) Earnings	(1.8)	(2.4)	1.0	(0.5)	0.4	0.8	(0.2)	Nil
Net (Loss) Earnings per Common Share:								
-Basic	(0.16)	(0.21)	0.09	(0.04)	0.04	0.07	(0.02)	Nil
-Fully Diluted	(0.16)	(0.21)	0.09	(0.04)	0.04	0.06	(0.02)	Nil

## **B. Strategic Vision**

Churchill's strategic vision is to build a highly profitable and sustainable construction, maintenance and industrial services business.

Churchill constructs buildings and provides industrial construction and maintenance services. In 2002 the Corporation operated through four business segments –

- Buildings – constructs commercial, institutional and light-industrial buildings
- Industrial General Contracting – provides heavy-industrial general contracting, fabrication and maintenance services
- Industrial Subcontracting – provides industrial insulation, maintenance and related services
- Corporate and Other – includes corporate costs not allocated directly to another business segment as well as any miscellaneous investments

In February 2003, Churchill acquired Laird Electric, necessitating the expansion to five segments. The fifth segment is –

- Industrial Electrical Contracting – provides industrial electrical, instrumentation and power-line construction and maintenance services

The Industrial Subcontracting segment was renamed Industrial Insulation Contracting for disclosure purposes commencing March 31, 2003, to better reflect the nature of their business.

Churchill provides strategic direction, operating advice, financing and infrastructure services to each of the business segments. Churchill's senior management is Gary Bardell, President and CEO; Al Stowkowy, President, Stuart Olson Construction; Bruce Rintoul, Vice President, Industrial, and Ian Morris, Vice President Finance and Chief Financial Officer. Each business segment has its own President and senior management team, and is designed to be self-supporting.

The roles of the parent company and the operating entities, and of the key people within these organizations, are highly dynamic. We are constantly reviewing and amending our business models and processes to address immediate client needs and in anticipation of changes in our markets.

Churchill has not performed well from a financial standpoint over the past two years. Notwithstanding the financial disappointments, we have made progressive steps and achieved some success. Our immediate objective is to return Churchill to profitability.

Once we have returned to the desired levels of profitability, we will be in a position to determine our best opportunities for growth. We will continue to assess both niche style acquisition opportunities and major strategic acquisitions, but only so long as this activity does not distract from our primary objective.

## **C. Results of Operations**

The consolidated results of operations, cash flow and financial position of the Corporation for the year ended and as at December 31, 2003 are included on pages 30 to 44 of Churchill's 2003 Annual Report.

The Churchill Corporation acquired Laird on February 7, 2003. The consolidated results for the year ended December 31, 2003 include the results of Laird from the date of acquisition to December 31, 2003. The comparative results for the year ended December 31, 2002 do not include Laird. The key operating results summarized on pages 17 and 18 have been tabulated to reflect the consolidated results including Laird, as well as disclosing revenue and contract income excluding Laird. The latter results are more directly comparable to the consolidated 2002 results.

In order to understand more clearly the operating results for The Churchill Corporation, the discussion within this Management's Discussion and Analysis will be focused on the business segment level.

The quarterly financial information as at March 31, June 30, and September 30, 2003 has been presented and analyzed in our quarterly reports to shareholders. The Corporation does not produce a separate quarterly report for the fourth quarter. As shown in the Quarterly Financial Information on page 18, the activities for the three months ended December 31, 2003 resulted in revenues being up substantially, to \$95.6 million from \$84.2 million the previous quarter. This strong increase in revenue is indicative of a strengthening in the market with a lessening of the effects of project delays. The net earnings before tax for the three months ended December 31, 2003 were \$0.3 million, indicating that Churchill's operations are profitable when not negatively impacted by restructuring charges, bad debt provisions and low levels of work.

For the year ended December 31, 2003, The Churchill Corporation had a net loss of \$3.7 million on revenues of \$319.2 million, or a net loss per share of \$0.31 for the year. For the year ended December 31, 2002, The Churchill Corporation had net earnings of \$1.0 million on revenues of \$311.7 million, or earnings per share of \$0.09.

Year over year revenues for the consolidated group increased \$7.5 million. As discussed, the 2003 results include Laird from its date of acquisition; without Laird's \$25.6 million of revenue, 2003 revenues for the comparable group as existed in 2002 would have been lower than 2002 by \$18.1 million. Industrial Insulation Contracting had an excellent year in 2003, with revenues increasing \$19.6 million, while Triton Projects experienced a revenue decline in 2003 of \$5.8 million and Stuart Olson's revenue declined \$31.1 million.

The net loss of \$3.7 million for the 2003 year is after reversal of future income tax amounts of \$5.0 million and accrual of \$4.0 million of current taxes payable. The movement between current and future income tax is due to tax loss carryforwards for 2004 and reductions of certain tax reserves in 2003.

## **Buildings**

For the year ended December 31, 2003, Stuart Olson had revenues of \$192.6 million, compared to \$223.7 million in the prior year.

Stuart Olson entered the year with a backlog of \$283.7 million. During 2003 Stuart Olson secured a further \$172.4 million of contracts, net of contract revisions, and executed and took into revenue \$192.6 million. They ended 2003 with a backlog of \$263.5 million.

Contract income declined from \$10.8 million in 2002 to \$7.0 million in 2003, and also declined as a percentage, from 4.8% of revenue to 3.6%. Project backlog entering 2003 had been bid during 2002, when there was a shortage of work. This resulted in tighter bid margins as the company attempted to secure work to offset infrastructure costs. Stuart Olson management is focused on improving their overall margins in 2004.

## **Industrial General Contracting**

Triton Projects experienced another year of financial losses. The traditional markets for Triton continued to reduce. Repositioning the company to successfully penetrate new markets has taken longer than anticipated. Triton's revenues for the year ended December 31, 2003 were \$38.7 million, down 13.0% from \$44.5 million for the year ended December 31, 2002, which in turn was down 21.2% from the prior year.

Operating margins were approximately 6.7% in 2003 and 8.9% in 2002. This is below historical long-term margin performance for Triton Projects, and is a direct result of heavy-industrial contracting companies, including Triton, being more aggressive in their bidding margins. The operating margin produced from the lower level of revenues was not sufficient to recover all of the general and administrative expenses for the year. Triton recorded a loss before income taxes of \$2.9 million for the year ended December 31, 2003, as compared to a loss before income taxes of \$1.1 million for the year ended December 31, 2002.

As reported in our June 30, 2003 Second Quarter Report, Triton took a \$1.0 million charge in the first half of the year for severances and early retirements as their management reduced overheads and repositioned operations to match market conditions. As the year progressed and new potential opportunities appeared, it became necessary to add infrastructure to support the development of these new opportunities.

Triton began 2003 with \$10.6 million of work-in-hand. All of this was executed and brought into revenue for 2003. In addition, they secured \$40.1 million of new work during the year, and executed \$28.0 million of that, leaving \$12.1 million to be executed in 2004. At the end of 2003 Triton Projects renewed its maintenance contracts, which added an additional \$6.5 million to the backlog of work-in-hand at December 31, 2003.

Triton had several initiatives in 2003 that are expected to produce improved results in 2004 and beyond. They developed a division to provide boiler repair and maintenance services. This led to several smaller contracts in 2003, has introduced the company to a new set of clients, and is expected to result in an increasing volume of work in 2004.

A significant portion of the capital projects in enhanced oil recovery and oil sands are expected to be constructed using a modular methodology. With this approach the component parts are constructed within the controlled environment of a fabrication facility and yard, then moved to the site and installed. Churchill has started construction of a modular fabrication facility. Triton Projects is expected to be the largest beneficiary of work, both within this facility, and the related field installation work.

## **Industrial Insulation Contracting**

Industrial Insulation Contracting operates under three business units – Fuller Austin, Northern Industrial, and Lakehead Insulation all providing insulation related contracting services for capital projects and maintenance work. Lakehead is a subsidiary of Fuller Austin.

The Industrial Insulation Contracting segment performed well in 2003. Revenues for the year ended December 31, 2003 increased by 44.2% over 2002, to \$63.9 million from \$44.3 million. In Ontario, significant revenues were generated from two large projects for pulp mills in Lakehead's traditional geographic market, as well as from one large project in southern Ontario. This project was Lakehead's first in the highly industrialized southern Ontario market. They are now assessing whether to increase their marketing of the company's services in that area. In Saskatchewan, Fuller Austin provided insulation contracting services on a major turnaround project at a refinery in Regina. In Alberta, the insulation companies participated in projects in modular fabrication yards in the Edmonton area, in new project work in the Fort McMurray area, and in a project expansion in the heavy oil sands area near Bonnyville.

Several of these larger projects incurred lower operating margins than their traditional work. Consequently, margins for the year ended December 31, 2003 were 10.6%, compared to 13.2% attained in 2002.

Earnings before income taxes for the year ended December 31, 2003 were \$2.5 million, as compared to \$1.6 million for the year ended December 31, 2002.

Industrial Insulation Contracting had a number of recurring maintenance contracts with major industrial clients that generated revenue in 2003 of approximately \$5.0 million.

Industrial Insulation Contracting entered 2003 with an order backlog of \$23.0 million. They secured \$51.2 million of new contracts in 2003. They executed and took into revenue \$63.9 million. They enter 2004 with an order backlog of \$14.3 million, including \$4.0 million of recurring maintenance contracts.

## **Industrial Electrical Contracting**

Churchill acquired Laird Electric in February 2003. The December 31, 2003 financial statements for The Churchill Corporation include the results for Laird Electric from the date of acquisition to the end of the year.

Churchill acquired all of the issued and outstanding shares of Laird Electric for \$10.7 million and all of the shareholders' loans for \$5.4 million, for a total outlay of \$16.1 million. The purchase price was paid by way of \$13.9 million cash and the issuance from treasury of 826,412 Churchill Common Shares. In order to complete the transaction, Churchill secured \$8.0 million of term financing.

The purchase price was allocated \$6.3 million to net tangible assets, \$1.5 million to a customer contract and certain employment contracts, and \$8.3 million to goodwill. The assets acquired included \$6.2 million of receivables, \$0.4 million of inventory, \$1.0 million of property and equipment, and \$1.0 million of cash. The liabilities assumed included \$1.7 million of trade and government obligations, and \$0.3 million of financing related to the purchases of vehicles. The value assigned to intangible assets of \$1.5 million consists of the present value assigned to a maintenance contract with Laird Electric's largest customer, which expires in the first quarter of 2004, and the value assigned to the employment contracts with the senior management of Laird Electric. These contracts include a claw back of the purchase price in the event the individuals do not remain with the company through the full three-year retention period. The \$1.5 million is being amortized over its estimated life. At December 31, 2003 the unamortized value of these intangible assets was \$0.8 million.

Laird Electric generated \$25.6 million of revenue for the period from acquisition to December 31, 2003. Operating margins during that period were 14.8%. Earnings before income taxes for the period were \$1.2 million. These results were within the range anticipated at the time of acquisition. Approximately 76% of Laird Electric's revenue in 2003 was derived from two customers.

Laird had a backlog of work of \$24.2 million at the date of acquisition. They secured \$25.2 million of new contracts to the end of 2003, and executed \$25.6 million of work. They enter 2004 with an order backlog of \$23.8 million.

During the year Laird Electric successfully expanded into the Edmonton region, obtaining work in a power generating facility and in several of the modular fabrication yards in the Edmonton area.

The integration of Laird Electric into the Industrial Group progressed well throughout 2003, and will continue into 2004. The primary successes included a continuation of contract awards, improvements in communications infrastructure, adjustment of accounting routines to meet public company requirements, and the successful opening of an office in Edmonton together with procurement of several new contracts in that market place.

## **Corporate and Other**

In 2003, \$21.9 million of Indirect and Administrative expenses were incurred by the Churchill group of companies, compared to \$19.3 million for the year ended December 31, 2002. The 2003 figure of \$21.9 million includes \$1.4 million incurred directly by Laird. The 2002 Indirect and Administrative expenses did not include any amount incurred by Laird.

The increase of 6.2% in Indirect and Administrative expenses (excluding Laird) is due primarily to increases in insurance costs, computer infrastructure support costs, severances and salaries. Insurance cost increases were market driven; Churchill did not increase or enhance coverage year over year. Computer infrastructure costs increased as the Corporation enhanced its communication capabilities and increased security over its information. Severances and early retirements of \$1.0 million have been discussed earlier in relation to the activities of Triton Projects. Severances paid by all other segments totaled \$0.3 million.

In February 2003 the receiver-manager of JTB Canada Pork accepted a \$5.5 million offer for the assets of JTB. Over the course of five months the potential purchaser paid in excess of \$1.1 million in non-refundable deposits. However, by the middle of the year it became apparent that the potential purchaser had not been successful in raising the remaining funds, and their deal collapsed. There being no other purchasers expressing interest at that point, Churchill booked a bad debt allowance of \$3.0 million as at June 30, 2003, writing the net receivable down to zero. After contemplating the alternatives, the receiver-manager began anew the process of seeking potential buyers but at a lower price. Shortly thereafter several purchasers expressed interest, and the receiver- manager negotiated and closed the sale of the assets for a price of \$3.3 million. This allowed Churchill to reflect a net recovery of the \$3.0 million bad debt allowance set up in the previous quarter.

Churchill's 41% interest in the Lafrentz Road Services business was deemed to be non-essential and was sold in early 2003. The distributed proceeds received on the sale were \$1.6 million, resulting in the Corporation recording a small gain.

## **D. Cash Flow, Financing, Capital Requirements, Liquidity**

For the year ended December 31, 2003, Churchill consumed \$5.6 million of cash through its revenue generating activities. The Corporation generated \$12.5 million of cash flow through reduction of working capital, related in part to the timing of collections and payments. This resulted in a net cash flow from operating activities of \$6.9 million. For the year ended December 31, 2002, Churchill generated \$4.0 million of cash through its revenue generating activities, however, increases in working capital consumed \$3.3 million.

The most significant capital requirement and financing activity for 2003 related to the acquisition of Laird Electric. Churchill secured an additional \$8.0 million of financing through its lending institution to complete the transaction. The loan is repayable in equal quarterly installments over five years, and bears interest at prime plus 1.25%, payable monthly. It can be repaid without penalty at any time under its floating rate structure. In addition, it may be converted into a fixed rate loan before May 31, 2004. The cash portion of the Laird Electric purchase price consisted of \$8.5 million for shares and \$5.4 million for shareholder loans less \$1.0 million Laird Electric cash acquired for a net of \$12.9 million. The \$12.9 million was paid from proceeds of the \$8.0 million financing, and \$4.9 million was paid out of existing cash reserves. The remaining portion of the purchase price was financed through the issuance of 826,412 Common Shares of Churchill valued at \$2.2 million.

Churchill repaid \$1.9 million of debt during the year ended December 31, 2003. Of these repayments, \$1.2 million were the scheduled payments on the Laird Electric acquisition loan. The remainder consisted primarily of scheduled payments on dealer financing for vehicles.

Churchill acquired \$2.4 million of property and equipment during the 2003 fiscal year, compared to \$4.2 million in the year ended December 31, 2002.

Churchill began 2003 with \$14.1 million in cash, of which \$5.5 million was subject to certain deemed trust conditions. All of the operating, investing and financing activities throughout 2003 generated a small amount of additional cash. At December 31, 2003 Churchill had \$14.6 million of cash, of which \$4.4 million was subject to deemed trust conditions.

The scheduled debt repayments for 2004 are \$1.9 million. The level of required replacement capital spending for Churchill is estimated to be in the range of \$2.0 million a year. These requirements are expected to again be met through a combination of operating and financing activities. In addition, as discussed under the 2004 Outlook section of this Management's Discussion and Analysis, Churchill's Board of Directors has approved the construction of a modular fabrication shop and yard at an estimated cost of \$7.4 million. Churchill expects to raise long-term debt for a significant portion of this requirement.

The Corporation is in compliance with its banking covenants as at December 31, 2003. It is in the early stages of arranging financing for the modular fabrication facility and in conjunction with this, it will be having discussions with its current lender to modify its existing covenants to take into account the effect of its additional borrowings and operations. Should the Corporation be in violation of its financial ratios as it goes forward, the lender would be in a position to demand repayment of any balances outstanding under its loan facilities. The Corporation monitors the financial ratios on a continuous basis.

The Corporation has \$30.5 million of equity, including \$8.3 million of goodwill, against which it has \$7.5 million of long-term debt. At December 31, 2003, working capital was \$17.6 million. The Corporation has sufficient short-term and long-term liquidity to deal with its regular business in the normal course.

During the year the Corporation issued 826,412 Common Shares from treasury as part payment for Laird Electric at a price of \$2.42 per share, and issued 192,000 Common Shares on the exercise of options by certain Directors and Officers at an average price of \$1.44 per share. The Corporation purchased and cancelled 18,800 common shares during the year under Normal

Course Issuer Bids at an average price of \$2.29 per share. There were 11,863,652 shares issued and outstanding at December 31, 2003.

The Corporation has an Employee Share Purchase Plan available to all full-time employees. At December 31, 2003 the Plan held 1,168,589 Churchill Common Shares for the employees. Under the Plan, shares are acquired in the open market.

The Corporation maintains a Share Option Plan for Directors and Officers, under which 1,046,334 options were outstanding as at December 31, 2003. In addition to the 192,000 options exercised during the year, there were 44,333 options cancelled, and 205,000 options issued. The options issued during the year were to members of senior management, issued at an exercise price of \$2.95, vesting over two years and expiring at the end of four years. There were 361,666 options available for grant at December 31, 2003.

## **E. Risks and Risk Management**

Churchill's 2002 Annual Report discussed how certain of the operating segments had increased their infrastructure in anticipation of higher revenue levels in 2003. In particular, both Stuart Olson and Triton had done so. Unfortunately, several factors caused governments and major exploration and production companies in western Canada to delay capital projects in 2003.

- Political unrest, war and terrorism in many parts of the world caused governments in western Canada to shift their focus, temporarily suspending capital spending while reassessing the impact of fluctuations in commodity prices on their cash flows.
- Companies with worldwide oil and gas assets also shifted their focus to assets most at risk, suspending other capital projects, some of which are in western Canada.
- Companies already active or contemplating activity in the Alberta oil sands region analyzed the most recent experiences on major projects in an attempt to understand the escalating project costs and reassess how to deliver their own projects in the future.

These delays had a direct impact on Churchill's 2003 revenues, as certain contracts already awarded to us were put on hold. Other projects not yet out for bid were delayed, meaning less work available to all construction contractors and making the marketplace more competitive. Those of our operating companies carrying additional infrastructure not only incurred that cost for a period of time but also had to bear the cost of downsizing those portions that they determined to be surplus to their needs during the year.

Our operations are centered in and primarily focused on western Canada. The majority of construction in western Canada, particularly the industrial construction activity we pursue, is either directly or indirectly connected to oil and gas. Oil and gas pricing and activity levels are directly impacted by worldwide events. While we can attempt to anticipate what direction oil and gas commodity prices might take, we mainly react to significant price movements as they happen. Significant downward movement in oil and gas prices can lead to project delays or cancellations.

The climate in western Canada can generate severe weather, which will slow down or delay construction for periods of time, impacting costs and delivery schedules.

Permitting, engineering and design that happen in advance of construction can lead to a delay. Stuart Olson participates in design-build projects where they take on the additional risk of design-related flaws or failures. In order for us to be awarded a project, we often are required to provide a surety bond for the contract; our ability to attain bonding is dependent upon our past performance, the strength of our balance sheet, and the quantity of our work-in-hand.

Once under construction, the project management team must be aware of and constantly monitor estimating, procurement, project execution, and contract terms. These are all risks that are under management control, and are an area where management is assessing the strength of its internal and disclosure controls on an ongoing basis.

In past periods of high construction activity in western Canada there have been shortages of labour, including our own and our subcontractors' work forces. In certain of our companies, the labour force is unionized, creating a possibility of labour disruptions if collective agreements cannot be negotiated as they come due.

In the past, Churchill has grown by acquisition, including Laird Electric in 2003. Our ability to undertake future acquisitions is limited by our ability to access financing. In addition, the success of any acquisition is dependent upon the successful integration of the acquired company into the rest of our operations.

Churchill's management is constantly assessing the company's exposure to some form of catastrophic risk, and where possible and economically feasible, will buy insurance protection to mitigate that risk

## **F. 2004 Outlook**

The Churchill Corporation entered 2004 with a backlog of \$313.7 million, of which \$265.6 million is expected to become earned revenue in 2004 and \$48.1 million is expected to carry forward into 2005 or later.

Of the \$265.6 million of backlog expected to be taken into revenue in 2004, \$175.8 million is from projects already underway, reducing the risk of project cancellation or delay. An additional \$26.5 million is generated from maintenance contracts, which clients generally do not defer. The remaining \$63.3 million of the backlog relates to projects that had not commenced at December 31, 2003. In general, these projects have a higher degree of risk of being delayed or cancelled, although in this instance, a number are government related projects that have received all approvals, including funding, and should commence on schedule.

Stuart Olson enters 2004 with \$263.5 million of backlog, of which \$216.3 million is expected to be realized as revenue in 2004. This represents 112% of their 2003 revenue level, and 97% of their record earned revenue level of 2002. The Alberta building construction market appears to be positive, and the British Columbia market appears to be strengthening. Coupled with the anticipated infrastructure development funding for schools, hospitals and long-term health care in Alberta this should result in Stuart Olson surpassing 2003 revenues. Stuart Olson typically experiences a slow first quarter of the year due to the impact of weather on productivity; we do not expect 2004 to vary from that pattern.

Triton Projects enters 2004 with \$12.1 million of backlog. This is at a low level, however, they have secured contracts for the new fabrication facility commencing mid-year, and they expect to participate in the related field construction work later in the year. Our belief is that the Triton organization has been right-sized, so that a reasonable level of success in obtaining contracts in the first six months of the year should result in Triton being profitable. It is expected that the first six months of the year will be difficult, as many of the potential projects will still be in the engineering phase and not yet moved into the construction phase.

The Industrial Insulation Contracting group had a strong year in 2003, with revenues of \$63.9 million. They entered 2004 with \$14.3 million of backlog for execution in 2004, of which \$4.0 million is expected as work under maintenance contracts. 2004 is expected to be somewhat slower than 2003 for this group due to the early stage of development on many of the anticipated projects.

Laird Electric entered 2004 with a \$23.8 million backlog, of which \$16.0 million is recurring maintenance to be completed in 2004. In January 2004 Laird was awarded a large contract in the Fort McMurray area for an existing client, scheduled for completion in 2004. Laird should repeat or exceed their performance of 2003.

Churchill incurred approximately \$0.4 million in 2003 in public company costs including Directors' fees and insurance. Looking forward to 2004, that figure is expected to increase substantially due to regulatory changes, both in the level and timing of reporting to the stock exchanges and securities commissions, and in dealing with other legislation such as the new Privacy Acts and the new health and safety regulations. Churchill expects to incur significant one-time and on-going costs related to these activities.

An important initiative during the second half of 2003 was the establishment of Churchill Industrial Group Inc., a new group that is internally focused on the efficient and cost effective delivery of services that are common to all of the industrial companies. These include safety, marketing and human resources. It is also expected that this initiative will allow Churchill to better communicate and market its package of services to existing and potential clients.

A major new initiative for the Industrial group is the planned construction of a modular fabrication shop and yard. This initiative, approved by the Board of Directors in late 2003, is planned for construction completion by mid-2004 at an estimated cost of \$7.4 million. This facility will allow Churchill to offer its clients a more controlled environment to achieve lower project costs, and access to a larger labour pool compared to that available at a remote work site. The Corporation has received a written indication of intent from a customer that would utilize a substantial portion of the 2004 capacity of the facility upon completion. Depending on the client and the opportunity, more than one of Churchill's industrial companies could be involved in the work in the modular fabrication shop and yard, and in the field installation activity.

The primary driver for Churchill is profitability. The Corporation has a significant backlog of construction projects entering 2004. Management is focused on their markets, their profitability, and is aware of the risks that have kept the company from being financially successful over the past year. The construction marketplace in western Canada is expected to improve in 2004 and strengthen for a number of years.

## **ITEM 7: MARKET FOR SECURITIES**

### **7.1 Market For Securities**

The Common Shares of the Corporation are listed and posted for trading on the Toronto Stock Exchange ("TSX") under the stock market symbol "CUQ"

## ITEM 8: DIRECTORS AND OFFICERS

### 8.1 Name, Address, Occupation and Security Holdings

The names, municipalities of residence, position with the Corporation, principal occupation, period of service as a member of the Board, Board committees and security holdings, as at April 14, 2004, are set forth in the following table. Each Director will hold office until the next annual meeting of shareholders or until a successor is elected or appointed. The next annual and special meeting of shareholders is scheduled to be held on May 17, 2004.

Name and Municipality Of Residence	Position with Corporation	Principal Occupation	Service as a Director since	Common Shares beneficially owned or over which control or direction was exercised
Dr. Peter F. Adams, Ph.D., P.Eng. Edmonton, Alberta (1) (2) (3)	Chairman and Director	President and Managing Director, Canadian Petroleum Institute	May 20, 1993	98,500
Brian W. L. Tod, B.A., LL.B., Q.C. Edmonton, Alberta (3)	Deputy Chairman and Director	Partner, Miller Thomson LLP	May 20, 1993	89,636
Gary R. Bardell M.Sc., MBA, P.Eng. Calgary and Edmonton, Alberta	Director, President and Chief Executive Officer	President and Chief Executive Officer, The Churchill Corporation	May 15, 2002	188,920
Stanton K. Hooper, C.E.T. Edmonton, Alberta (3)	Director	President, Stanton Developments Ltd.	November 28, 1990	347,175
Harry A. King, B.A., CA Vancouver, British Columbia (1)	Director	President, Harking Investments Ltd.	August 13, 1997	35,000
Kim D. McInnes, B.A., M.U.D. Toronto, Ontario (2)	Director	Executive Vice President and Chief Operating Officer, Ivanhoe Cambridge	May 15, 2002	Nil
Henry R. Reid, MBA, P.Eng. Gabriola Island, British Columbia (1)	Director	Business Consultant, Formerly President and Chief Executive Officer of the Corporation	February 19, 1991	126,343
Winston D. Stothert, M.A.Sc., P.Eng. Vancouver, British Columbia (2)	Director	Chairman, Stothert Group Inc.	May 17, 1995	53,191

**Notes:**

- (1) Indicates member of the Audit Committee.
- (2) Indicates member of the Corporate Governance, Nominating and Risk Management Committee
- (3) Indicates member of the Human Resources and Compensation Committee

Each of the Directors of the Corporation has been engaged for more than five years in his present principal occupation or in other capacities with the company or organization (or predecessors thereof) in which he currently holds his principal occupation with the exceptions of: Mr. Gary R. Bardell, who was President and Chief Operating Officer of Stuart Olson Construction, a subsidiary of the Corporation, prior to becoming President and Chief Executive Officer of the Corporation on October 1, 2002; and Mr. Henry R. Reid, who was previously President and Chief Executive Officer of the Corporation from 1990 until October 1, 2002.

Additional information on the Directors of the Corporation included on page 46 of the 2003 Annual Report of the Corporation is incorporated herein by reference.

## **Executive Officers**

The following table sets forth the names, municipality of residence and position with the Corporation of each person who is an Executive Officer of Churchill, as at April 14, 2004.

<b><u>Name and Municipality of Residence</u></b>	<b><u>Position with Corporation</u></b>
Gary R. Bardell, M.Sc., MBA, P.Eng. Calgary and Edmonton, Alberta	Director, President and Chief Executive Officer
Ian T. Morris, B.Comm., CA, CBV Edmonton, Alberta	Vice President Finance and Chief Financial Officer and Corporate Secretary
L. Bruce Rintoul, MBA, P.Eng. Edmonton, Alberta	Vice President Industrial
Allen W. Stowkowy, B.Sc., P.Eng. Calgary, Alberta	President, Stuart Olson Construction

Each of the Executive Officers of the Corporation has held other principal occupations during the last five years, as follows: Gary R. Bardell was President and Chief Operating Officer of Churchill subsidiary Stuart Olson Construction from 1997 through October 2002, when he became President and Chief Executive Officer of Churchill; Ian T. Morris was previously Vice President and Chief Financial Officer of Vencap Inc. and its predecessor from 1986 through 1998, and Senior Vice President and Chief Financial Officer of PTI Group Inc., a segment of Oil States International Inc. from 1998 to 2002, when he joined Churchill; L. Bruce Rintoul, who held various positions including Senior Vice President, Industrial Services Group at Philip Services Corporation from 1997 through 1999, when he joined Churchill; Allen W. Stowkowy who was Senior Vice President, Stuart Olson Construction from 1997 through October 2002 when he became President and Chief Operating Officer of Stuart Olson Construction.

Additional information on the Executive Officers of the Corporation included on page 47 of the 2003 Annual Report of the Corporation is incorporated herein by reference.

The Directors and Executive Officers of the Corporation, as a group, beneficially owned, directly or indirectly, or exercised control or direction over 1,051,025 Common Shares, or approximately 8.9% of the issued and outstanding Common Shares of the Corporation. This is the only class of voting securities issued by the Corporation.

## **8.2 Corporate Cease Trade Orders or Bankruptcies**

Except as set forth below, to the knowledge of management of the Corporation, no Director or Officer of the Corporation, or a shareholder holding a sufficient number of securities of the Issuer to affect materially the control of the Issuer, is, or within the 10 years before the date of this Annual Information Form has been, a director or officer of any other Issuer that, while that person was acting in that capacity:

(a) was the subject of a cease trade or similar order, or an order that denied the other Issuer access to any exemptions under Canadian securities legislation, for a period of more than 30 consecutive days; or

(b) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, except:

Mr. L. Bruce Rintoul, Vice President Industrial of the Corporation, was an officer of several wholly-owned subsidiaries of Philip Services Corporation prior to his resignation in November, 1999. At the time of his resignation, Philip Services Corporation and its subsidiaries were in bankruptcy in both Canada and the U.S.A. Philip Services Corporation subsequently gained court acceptance of a reorganization and emerged from bankruptcy.

## **8.3 Penalties or Sanctions**

To the knowledge of management of the Corporation, no Director or Officer of the Corporation, or a shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation, has:

(a) been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulation authority, or has entered into a settlement agreement with a Canadian securities regulatory authority; or

(b) been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

## **8.4 Personal Bankruptcies**

To the knowledge of management of the Corporation, no Director or Officer of the Corporation, or a shareholder holding a sufficient number of securities of the Issuer to affect materially the control of the Issuer, or a personal holding company of any such person has, within the 10 years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceeding, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or officer.

## **8.5 Conflicts of Interest**

There are no existing or potential material conflicts of interest between the Issuer or a subsidiary of the Issuer and a director or officer of the Issuer or of a subsidiary of the Issuer.

## ITEM 9: ADDITIONAL INFORMATION

Additional information, including Directors' and Officers' remuneration and indebtedness, principal holders of Churchill's securities and options to purchase securities is contained in Churchill's Management Information Circular and Proxy Statement for its May 17, 2004 Annual and Special Meeting of Shareholders. Additional financial information is provided in Churchill's Consolidated Financial Statements and Notes thereto for the fiscal year ended December 31, 2003, which are included in Churchill's 2003 Annual Report.

Copies of the foregoing documents, as well as the Quarterly and Annual Reports incorporating the quarterly and annual comparative financial statements of Churchill for its financial years ended December 31, 2001, 2002 and 2003, and this Annual Information Form and any document, incorporated by reference in this Annual Information Form may be obtained by accessing SEDAR, the electronic system recording Canadian public securities filings, at [www.sedar.com](http://www.sedar.com). This information is also available upon request from the Corporate Secretary of Churchill. Churchill may charge a reasonable fee for provision of this additional information to persons who are not shareholders.

To request copies of information, please contact:

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## ITEM 10: FORWARD-LOOKING STATEMENTS

Certain statements in this Annual Information Form may constitute "forward-looking statements". Although management of the Corporation believes that its expectations are based upon reasonable assumptions, it can give no assurance its expectations will be achieved. Such forward-looking statements involve risk, uncertainties and other factors which may cause the actual results, performance or achievements of the Corporation to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.