

INVESTMENT STATEMENT RELATING TO THE OFFER OF SHARES

Important Information

(The information in the section is required under the Securities Act 1978)

Investment decisions are very important. They often have long-term consequences. Read all documents carefully. Ask questions. Seek advice before committing yourself.

Choosing an Investment

When deciding whether to invest, consider carefully the answers to the following questions that can be found on the pages noted below:

	<i>Page</i>
<i>What sort of investment is this?</i>	<i>1</i>
<i>Who is involved in providing it for me?</i>	<i>1</i>
<i>How much do I pay?</i>	<i>1</i>
<i>Cooling off Period</i>	<i>1</i>
<i>What are the charges?</i>	<i>1</i>
<i>What returns will I get?</i>	<i>1</i>
<i>What are my risks?</i>	<i>2</i>
<i>Can the investment be altered?</i>	<i>2</i>
<i>How do I cash in my investment?</i>	<i>2</i>
<i>Who do I contact with inquiries about my investment?</i>	<i>2</i>
<i>Is there anyone to whom I can complain if I have problems with the investment?</i>	<i>2</i>
<i>What other information can I obtain about this investment?</i>	<i>2</i>

In addition to the information in this document, important information can be found in the current registered prospectus for the investment. You are entitled to a copy of that prospectus on request.

Engaging an Investment Adviser

An investment adviser must give you a written statement that contains information about the adviser and his or her ability to give advice. You are strongly encouraged to read that document and consider the information in it when deciding whether or not to engage an adviser.

Tell the adviser what the purpose of your investment is. This is important because different investments are suitable for different purposes, and carry different levels of risk.

The written statement should contain important information about the adviser, including –

- relevant experience and qualifications, and whether dispute resolution facilities are available to you; and
- what types of investments the adviser gives advice about; and
- whether the advice is limited to investments offered by 1 or more particular financial institutions; and
- information that may be relevant to the adviser’s character, including certain criminal convictions, bankruptcy, any adverse findings by a court against the adviser in a professional capacity, and whether the adviser has been expelled from, or prohibited from joining, a professional body; and
- any relationships likely to give rise to a conflict of interest.

The adviser must also tell you about fees and remuneration before giving you advice about an investment. The information about fees and remuneration must include –

- the nature and level of the fees you will be charged for receiving the advice; and
- whether the adviser will or may receive a commission or other benefit from advising you.

An investment adviser commits an offence if he or she does not provide you will the information required.

What sort of investment is this?

1 Description of Securities

The securities being offered are rebate shares in the capital of Electricity Ashburton Limited. The rebate shares have a nominal value of, one dollar (\$1.00) and may entitle the holder to dividends, rebates, and other distributions and benefits as set out in clause 7.

Who is involved in providing it for me?

2 Names and Addresses

The name and address of the issuer is:
Electricity Ashburton Limited (EAL)
18 Kermode Street, Ashburton

The directors of the issuer are:

Raymond James Davy, Murray Warden Frost, Gary Richard Leech, Philip John McKendry and John Bruce Tavendale.

3 Activities

EAL is the principal provider of electricity network services in Ashburton and the surrounding area. The principal electricity reticulation network south of the Rakaia River and north of the Rangitata River are owned and operated by EAL. EAL arose out of the reform of the electricity industry in 1989 and acquired the assets from the Ashburton Electric Power Board that was operating at that time. EAL has been operating the electricity network in the Ashburton and surrounding rural area since 1989.

How much do I pay?

4 Moneys payable by Subscribers

The rebate shares have a nominal value of one dollar and one dollar is payable for each rebate share. All shares are paid up from rebates, dividends or other distributions payable by EAL to shareholders. There is no requirement to pay \$100 to EAL on application for the Shares and if the Shares are not paid up from such distributions there is no further liability. Every new customer (which may be one person or two or more persons) who is connected to EAL’s network is issued with 100 rebate shares as part of the connection process.

Cooling off Period

5 Right to Withdraw Application

Every person who is issued shares in EAL who did not receive an investment statement before the shares were issued may, within 10 working days of the date on which the investment statement is sent to that applicant, withdraw from that issue of shares by written notice given to Electricity Ashburton Limited.

What are the charges?

6 Types of Charges

There are no entry, administration, management or other charges payable in respect of the shares.

No charges are intended to be introduced that may affect the returns to any applicant for shares.

What returns will I get?

7 Returns

Each person who is connected to the network and who holds rebates shares is entitled to dividends, rebates or other distributions made on the rebate shares. Different dividends, rebates or other distributions may be payable dependent upon the level of network charges assessed against each shareholder.

The method of distribution by EAL to shareholders is determined by the directors from time to time. EAL seeks to reduce line charges for customers while at the same time retaining sufficient funds to ensure reliability of the network and expansion of services. As a result of this policy line charge efficiency rather than maximisation of profit is a key issue for EAL. Line charges are reduced or concessions are made in respect of line charges from time to time.

It is not the present intention of EAL to seek to maximise profits and materially increase the level of dividends, rebates or other distributions on the rebate shares.

The key factors governing returns is the amount charged by EAL for its network services and the utilisation of those services. This can vary from year to year so affecting cashflows and profitability.

EAL is the entity legally liable to pay dividends and rebates or to seek to reduce line charges for shareholders. EAL is entitled, under its constitution, to withhold from any payments such amounts as are necessary to pay unpaid calls on any shares held by shareholders and also to meet any other liabilities which may be payable by shareholders.

If a rebate is paid this is payable from the pre tax profits of EAL. Dividends, if paid, are normally paid from after tax profits with any imputation credits being utilised. Normally there are no deductions made from the rebates payable except share application moneys or other moneys owing to EAL. Before determining the amount of profit that may be distributable either as a rebate or as a dividend EAL can retain such amount as it considers appropriate for its ongoing business operations. There are no specific dates by which rebates or dividends are payable or provided and no such rebates or dividends are quantifiable as at the date of this Investment Statement. If line charges for the financial year have over recovered the annual operating charges and expenses EAL has, historically, during the month of March paid a deferred discount on line charges paid during the year so customers benefit from the efficiencies within EAL.

Discounts paid by EAL are paid through the electricity retailer with whom the customer has entered into a current electricity supply agreement. This is by way of credit to the account of the customer with that retailer.

What are my risks?

8 Risks

There are a number of risks that could impact on the business of EAL. These risks include:

8.1 Economic/Finance

There is a risk that the financial position of EAL could be affected by material changes in:

- the interest rate being paid on bank debt owing by EAL;
- foreign currency exchange rates which makes the cost of importing plant and equipment more expensive;
- the economy in Mid Canterbury due to market forces that creates redundancies in assets owned by EAL;

The interest rate and exchange rate risks are managed by EAL to reduce the impact of any such changes.

8.2 Retailer Risk

There is a risk that an energy retailer supplying electricity through EAL's network could default on payment obligations. EAL mitigates this risk by requiring a bond on the retailer to have an appropriate financial rating.

8.3 Contracting Risk

In entering into contracts for the upgrading or extension to the network there is a risk that contractors may not meet all contract requirements. This risk is managed by supervising all major contracts.

8.4 Easement Risk

There is a risk that where new lines are required there may be difficulties in obtaining easements giving access to the most appropriate route for those lines. Planning helps to reduce that risk.

8.5 Statutory Intervention

The Government or other statutory bodies could introduce new legislation, regulations or by-laws that could alter the present legal framework for the electricity industry. This could affect the ability of EAL to recover economic returns on its network.

8.6 Major Catastrophe Risk

There is a risk that a major event such as floods, snowstorms, earthquakes or other acts of god could materially damage the network and result in material costs for EAL and an inability to deliver power when required.

8.7 Insurance Risk

There is difficulty in obtaining insurance for the network at an economic cost to the Company. EAL is unable to insure its network as at a realistic cost and is this may result in EAL not being in the position to replace its network if there is a major disaster..

8.8 Technology Risk

If technology in the electricity distribution industry materially changes or becomes redundant due to technology changes there could be a risk that the current network is uneconomic so causing a material loss of value for EAL.

9 Consequences of Insolvency

The liability of an applicant for shares, in the event that EAL is placed in liquidation or receivership, cannot extend beyond the rebates, dividends and other distributions which have been applied in paying up the nominal value of the shares. No cash payments are required from shareholders. In the event of a liquidation of EAL, all secured and unsecured creditors of EAL and its subsidiaries (if any) will rank ahead of the claim of each shareholder. The shareholders will only receive a payment if there is a residual amount remaining after paying all debts and other liabilities of EAL and its subsidiaries (if any) and the costs of liquidation.

All shareholders would then rank equally for payment in proportion to the number of shares held by each shareholder.

Can the investment be altered?

10 Alteration of Securities

After the shares have been issued there is no right to increase the amount payable by the applicant for the shares.

The rights attached to the shares can only be changed by a special resolution of the holders of the shares passed at a meeting called for that purpose. In order to be passed, a special resolution requires a majority of 75% of the votes cast at the meeting either in person or by proxy.

The Board can determine that shareholders must hold a certain number of shares to qualify for a rebate or dividend. If the shareholder is required to hold more shares, then these are paid up from dividends, rebates or other distributions otherwise payable to that shareholder.

At the present time all shareholders are required to hold 100 rebate shares irrespective of the size of their network charge.

How do I cash in my investment?

11 Early Termination

If a shareholder ceases to be connected to the network, and EAL can at that time meet the solvency test, then the shares held by that shareholder will be surrendered for \$1.00 each or the amount contributed toward the \$1.00 per share from rebates, dividends and other distributions.

The amount payable for the surrender of the shares, being \$100 (or the amount paid up on the shares if less), is paid by cheque to the last known address of the relevant shareholder.

12 Right to Sell Securities

There is no right to transfer shares in EAL except if a transfer is permitted by the Board.

Shares are not normally transferable as they are issued to persons who become connected to the network, and when that person ceases to be connected to the network the shares are surrendered for the same price as the issue price.

Some transfers do arise when an existing farm which is taking supply from the network is transferred to another member of the same family or where the shares are held by a husband and wife and only one of those parties continues to be connected to the network.

Who do I contact with inquiries about my investment?

13 Inquiries about Securities

The name of the employee of EAL to whom inquiries about the shares can be made, and the address and business telephone number of that person is:

Mark Lester
Electricity Ashburton Limited
18 Kermode Street
Ashburton
Phone: (03) 307 9800

Is there anyone to whom I can complain if I have problems with the investment?

14 Complaints about Securities

The name of the employee of EAL to whom complaints about the shares can be made, and the address and business telephone number of that person is:

Mr Gordon Guthrie
Electricity Ashburton Limited
18 Kermode Street
Ashburton
Phone: (03) 307 9800

Complaints about the shares cannot be made to an ombudsman.

What other information can I obtain about this investment?

15 Prospectus and Financial Statements

Other information about the shares and EAL is contained or referred to in a prospectus issued by EAL and in the most recent financial statements of EAL.

A copy of the prospectus and of the most recent audited financial statements of EAL can be obtained, free of charge, from:

Electricity Ashburton Limited
18 Kermode Street
Ashburton
Phone: (03) 307 9800

or can be accessed (as can this investment statement) on the website of EAL at www.electricityashburton.co.nz.

The prospectus, financial statements and other documents of, or relating to, EAL are filed on a public register at the Companies Office of the Ministry of Commerce and copies are available from the Companies Office website www.companies.govt.nz.

16 Annual Information

In each year every shareholder of EAL who is connected to the network is sent a copy of the Annual Report of EAL. This Annual Report includes the financial statements of EAL for the relevant financial year.

17 On Request Information

The information that is available on request from EAL is a copy of the prospectus and the latest Annual Report of EAL. Any request for such information should be made to EAL at 18 Kermode Street, Ashburton, or by telephoning (03) 307 9800. No charge will be made for the information provided to each applicant.

In addition, a shareholder is entitled to request information from a company in accordance with section 178 of the Companies Act 1993. A company is permitted to charge a reasonable amount for supplying that information in accordance with section 178.

Electricity Ashburton Limited (EAL)
19 October 2011