



DISCLOSURE DOCUMENT

For public offering of Rebate Shares in

ELECTRICITY ASHBURTON LIMITED
(trading as EA Networks)

Dated: 1 March 2019

Warning Statement

Under the Financial Markets Conduct Act 2013, co-operative companies and industrial and provident societies making an offer of co-operative shares have to give information about themselves and the shares to investors. They also have to provide shareholders with ongoing financial information about the shares and the company. In most cases, this information must meet legal requirements under that Act for financial reporting and the auditing of financial statements. This is to help investors make informed decisions.

In this case, these rules do not apply because there is an exemption where the total amount to be invested by individual investors in co-operative shares of a co-operative company or industrial and provident society is \$5,000 or less (including any shares already held). This exemption recognises that, for the shareholders, these co-operative shares are more like a membership than an investment.

As a result, you may not be given all the information usually required.

This document gives you important information about this investment to help you decide whether you want to invest. Electricity Ashburton Limited has prepared this document in accordance with the exemption granted under the Financial Markets Conduct Act 2013 as the Financial Markets Conduct (Small Co-operatives) Exemption Notice 2016. You can also seek advice from a financial adviser to help you to make an investment decision.

Disclosure Document

1 What is this?

This is an offer of Rebate Shares in Electricity Ashburton Limited (*EAL*). Rebate Shares give you a stake in the ownership of EAL. You may receive a return, reflecting the performance of EAL, through receiving returns distributed in the form of rebates, dividends or as discounts based on each shareholder's level of trading with EAL or applying such other method of distributing returns as determined by the Board of EAL. Currently returns are made by the payment of consumer discounts.

If EAL runs into difficulties and is wound up you will be paid only after all creditors and holders of preference shares have been paid. You may lose some or all of your investment.

2 About EAL

EAL owns and operates the following assets. EAL does not have any subsidiaries that own or operate a business:

- An electricity network situated between the Rangitata and Rakaia Rivers Mid Canterbury that supplies network services to that area.
- A fibre optic cable network that provides a communications network within certain parts of the above area.
- A contracting services business that operates within the above area.

3 Purpose of this Offer

The purpose of the Offer is to enable persons connecting to the electricity network (*network*) operated by EAL, and who obtain services directly and indirectly from EAL, to hold Rebate Shares in EAL that entitle the holder to share in any distributions made, or discounts provided, by EAL.

EAL has introduced a consumer discount policy setting out the basis on which discounts will be distributed from a consumer discount pool in relation to the actual network usage for a specified period. Details are on the website of EAL.

In offering Rebate Shares for application at \$1.00 each, being the nominal value of all Rebate Shares issued by EAL, those moneys will be used for the general purposes of EAL. The Rebate Shares are offered to give ownership rights to those persons who contract services, directly and indirectly, with EAL and the share capital raised is secondary to this purpose.

4 Key Terms of the Offer

Issuer	Electricity Ashburton Limited
Description of Rebate Shares being offered	The Rebates Shares are only available to persons who become connected to a network owned by EAL or obtain services from EAL. 100 Rebate Shares is the number of shares issued to each shareholder. All of those shares rank equally for voting.

Consideration / Price for Shares	Each Rebate Share is offered for \$1.00 each. 100 Rebate Shares must be applied for. No moneys are payable on application and the shares are paid up from discounts that are distributed to shareholders. Until fully paid up there is a liability for the \$100. Those distributions can be a dividend, rebate or discount declared by EAL and are currently consumer discounts.
Opening Date	The offer opens on 1 March 2019. There is no closing date for this offer as it remains open to all persons who become connected to the EAL network.
Number of Shares Offered	The total number of shares offered cannot be determined as this depends on the number of persons connecting to the network. All shareholders holding rebate shares are restricted to 100 Rebate Shares. The Ashburton District Council holds non-voting shares so the Rebate Shares represented approximately 5% of the total shares on issue. Each person (which includes individuals, companies and other legal entities) connected to the EAL network can apply for 100 Rebate Shares which are issued for \$1.00 each.
Distributions	EAL annually discloses the consumer discount pool in advance of the start of each financial year. This includes an allocation methodology. This is disclosed on EAL's website prior to the start of each financial year. Shareholders must hold shares at 5pm on the last working day in February to be entitled to a consumer discount for the financial year. All persons connected to the network are entitled to the discount. The discount is based on the electricity consumption for that year by consumers. The first \$100 allocated to each shareholder as a discount is applied to pay up shares in EAL.
Surrender / Transfer of Shares	Shares are not transferrable except with Board approval. This only occurs in limited circumstances. On a shareholder ceasing to enter into direct or indirect (through an energy retailer) transactions with EAL the Rebate Shares held are surrendered by EAL at the lesser of \$1.00 per share or the amount paid up on those shares.
Fees or charges payable	There is no liability to pay further charges or make additional payments on the shares being offered.

5 How you can get your money out

The shares being offered under this Disclosure Document are illiquid. It will be difficult to sell the shares because they can only be held by a person who is entering into transactions, directly or indirectly, with EAL and are not transferable except in limited circumstances.

When a shareholder ceases to be connected to the network operated by EAL or ceases to take services from EAL the shareholder ceases to be a transacting shareholder and must surrender the

shares held. The surrender price is the lesser of \$1.00 for each Rebate Share, or the amount paid up on the shares.

The shares of EAL will not be quoted on any market for sale and there is no market for those shares. It will be difficult to sell the shares because they can only be held by a current shareholder who is entering into transactions with EAL. The shares are held to provide a benefit to those who transact with EAL by providing rebates, dividends and discounts.

6 Key Drivers for returns

The key drivers are:

- The price which energy retailers pay for the electricity network services provided by EAL as determined under the pricing formulas for network companies.
- The price at which the fibre optic cable services can be sold by EAL and the number of connections.
- The profits earned from the contracting business of EAL.

The key strategies and plans relating to the assets owned by EAL are as follows:

- To maintain the network services and lines owned by the Company at the level required by users so down time and stoppages due to equipment failure or weather conditions are kept to a minimum.
- To encourage businesses and individuals to use the fibre optic network established by the company and to connect to that service so as to provide income for the company.
- To fully utilise the contracting business of EAL.
- To keep a close control over the cost of operating all assets on a basis that is consistent with the policies of EAL in providing a continuous and effective level of service from those assets.

7 Key Risks Affecting this investment

Investments in shares are risky. In applying for Rebate Shares on which you will be liable to pay \$100 you should assess whether these shares can be paid up from consumer discounts, rebates or dividends, and your liability if the shares do not become fully paid up shares. EAL considers the most significant risk factors that could affect the value of the Rebate Shares in EAL are:

RISK	COMMENT
Regulatory Framework and oversight of the regulators.	The industry boundaries are prescribed by legislation and can be changed at any time by the Government. In addition, the pricing of networks is subject to the oversight of the Commerce Commission and this can materially affect returns on the investment.
The size of the network may limit the opportunities for retailers to connect to the network and have an effect on its profitability.	The introduction of new technology including fibre optic cables will have inherent risks of being replaced or superceded by disruptive new technologies.

Overbuild created by Government funding and changes in technology are also risks.	
Major breakdown risk which could occur in the event a substation operated by EAL suffers failure or if there is an intervening event, such as weather conditions, earthquake or other act of God which has a significant impact on the infrastructure operated by EAL	Regular maintenance of all facilities minimises the risk of breakdown. The undergrounding of wires also reduces risks from snow and storms.

This summary does not cover all of the risks of investing in Rebate Shares.

8 Financial Information

Under the terms of the Financial Markets Conduct (Small Co-operatives) Exemption Notice 2016, on which this offer relies, no financial information regarding Electricity Ashburton Limited is required to be provided.

Notwithstanding this a copy of the current audited financial statements of EAL are available on the website of EAL www.eanetworks.co.nz.

9 Privacy Policy

If you apply for Rebate Shares you will be asked to provide personal information to EAL, the Share Registrar, and their respective agents who will collect and hold the personal information provided by you in connection with your Application.

Your personal information will be used:

- For considering, processing the corresponding with you about your Application;
- In connection with your holding of Shares, including sending your information concerning EAL, your Shares and other matters EAL considers may be of interest to you by virtue of your holding of Shares; and
- For conducting an audit or review of the activities contemplated above.

To do these things, EAL including in its capacity as the Share Registrar may disclose your personal information to:

- each other;
- their respective related companies; and
- agents, contractors or third party service providers to whom they outsource services such as mailing and registry functions.

However all of these parties will be bound by the same privacy policy as EAL .

Failure to provide the required personal information may mean that your application form is not able to be processed efficiently, if at all.

Where EAL hold personal information about you in such a way that it can be readily retrieved, ,including the share registry, you have a right to obtain from EAL and EAL in its capacity as the

Share Registrar confirmation of whether or not EAL holds such personal information, and to access and seek correction of that personal information under the Privacy Act 1993 by contacting the privacy officer of EAL set out below.

You can also access your information by applying to EAL for a copy of the share register or inspecting the share register at the registered office of the Company set out below.

Directory

Electricity Ashburton Limited	22 JB Cullen Drive Ashburton Business Estate Private Bag 802 Ashburton
Directors (Note: the directors change from time to time. The current directors are shown on the Companies Office website www.companies.govt.nz)	Philip John McKendry (Chairman) Roger Anthony Sutton Richard Gwyn Fitzgerald Paul Jason Munro Andrew David Barlass Bruce Robert McPherson
Senior Managers	Gordon Guthrie (Chief Executive Officer) Brendon Quinn (Network Manager) Tony Hannah (General Manager Field Service) Jeremy Adamson (Commercial Manager) Mark Lester (Chief Financial Officer)
Privacy Officer	Mark Lester
Securities Registrar	Electricity Ashburton Limited Ashburton Business Estate Ashburton
Legal Adviser for this document	David Stock Level 3, White Fox and Jones House 22 Moorhouse Avenue Christchurch Phone: 03 353 1036
Auditor	PricewaterhouseCoopers Chartered Accountants Level 4, 60 Cashel Street Christchurch Central Christchurch 8013