



(A public company incorporated in the Republic of Zimbabwe under company registration number 379/1948)

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to the action you should take in relation to this document please consult your stockbroker, banker, legal practitioner or other professional advisor immediately. This document is not an invitation to the public to subscribe for Edgars Stores Limited ordinary shares but is issued in compliance with the listing requirements of the Zimbabwe Stock Exchange and the provisions of the Companies Act [Chapter 24:03] of Zimbabwe to the shareholders of Edgars Stores Limited. The document seeks to provide information on a transaction that will result in Edgars Stores Limited acquiring the intellectual property rights to trademarks and brands assigned to Edgars Stores Limited by Edcon Limited for the territory of Zimbabwe from Edcon Limited ("the Proposed Transaction"). Detailed information on the Proposed Transaction along with other pertinent information is being provided to shareholders to enable them to make an informed decision at an Extraordinary General Meeting ("EGM") that has been called by the directors of Edgars Stores Limited.

Action Required:

1. If you have disposed of your Edgars Stores Limited ordinary shares, this Circular should be handed to the purchaser of such ordinary shares or the stockbroker, banker or other agent through whom the disposal was effected.
2. Edgars Stores Limited shareholders are entitled to attend the EGM for shareholders to vote on the resolutions that will be required to give effect to the Proposed Transaction as presented in this document which will be held at the Edgars Training Auditorium, 1st Floor, LAPF House, Corner 8th Avenue and Jason Moyo Street, Bulawayo, at 10:00 hours on Wednesday 16 January 2019. If you are unable to attend the EGM or any adjournment thereof, and wish to be represented thereat, please complete and return the attached Form of Proxy in accordance with the instructions contained therein to Edgars Stores Limited share transfer secretary, being Corpserve (Private) Limited, 2nd Floor, ZB Centre, Corner Kwame Nkrumah Avenue and 1st Street, Harare so as to be received not later than forty eight hours before the time of the EGM.

CIRCULAR TO SHAREHOLDERS REGARDING:

The acquisition by Edgars Stores Limited of the intellectual property rights to trademarks and brands assigned to Edgars Stores Limited by Edcon Limited for the territory of Zimbabwe from Edcon Limited (constituting a related party transaction in terms of the Zimbabwe Stock Exchange Listing Requirements) and the issue of Edgars Stores Limited ordinary shares to Edcon Limited to be used as consideration to settle the purchase price for the acquisition.

IN ADDITION THIS CIRCULAR HAS ATTACHED TO IT:

- A notice of an Extraordinary General Meeting; and
- A form of proxy for the Extraordinary General Meeting.

Notice of an EGM to the Shareholders of Edgars Stores Limited to be held at 10:00 hours on Wednesday 16 January 2019 at the Edgars Training Auditorium, 1st Floor, LAPF House, 8th Avenue and Jason Moyo Street, Bulawayo, published on Friday 21 December 2018, in accordance with the provisions of the Listing Requirements of the Zimbabwe Stock Exchange and the Companies Act [Chapter 24:03] is set out at the end of this document. Shareholders of Edgars Stores Limited are asked to complete and return the enclosed Form of Proxy in accordance with the instructions printed therein, as soon as possible, but not later than 16:00 hours on Monday 14 January 2019, or any other date to which the meeting may be adjourned or postponed for any reason. The completion and return of the Form of Proxy will not prevent you from attending and voting at the meeting or any adjournment thereof, in person if you wish to do so.

Sponsoring Broker

IMARA
INVESTING
IN AFRICA

Securities

**Imara Edwards Securities
(Private) Limited**
MEMBERS OF THE ZIMBABWE STOCK
EXCHANGE

**Auditors and Independent
Reporting Accountants**



**Ernst & Young Chartered
Accountants (Zimbabwe)**

Financial Advisor

IMARA
INVESTING
IN AFRICA

Corporate Finance

**Imara Corporate Finance Zimbabwe
(Private) Limited**

Share Transfer Secretary



**Corpserve
(Private) Limited**

Independent Financial Advisor



**PricewaterhouseCoopers Business
Services (Private) Limited**

Legal Advisor

GILL, GODLONTON & GERRANS
LEGAL PRACTITIONERS

**Gill, Godlonton & Gerrans
Legal Practitioners**

Date of issue : Friday 21 December 2018.

DEFINITIONS

The following definitions apply throughout this Circular and the accompanying Form of Proxy, unless otherwise stated or the context requires otherwise. In this Circular, unless otherwise indicated, the words or phrases in the left hand column bear the meaning stipulated in the right hand column. Words in the singular shall include the plural and vice versa, words importing natural persons shall include juristic persons (whether corporate or incorporate and vice versa) and words in the masculine shall import both the feminine and neuter.

"Articles"	The Memorandum and Articles of Association of Edgars Stores Limited;
"Board" or "the Directors"	The board of directors of Edgars Stores Limited;
"Circular" or "the Document"	This circular to Edgars Stores Limited shareholders setting out the terms and conditions of the proposed acquisition of the intellectual property rights to trademarks and brands assigned to Edgars Stores Limited by Edcon Limited for the territory of Zimbabwe from Edcon for a consideration of US\$1,500,000 which will be settled through the issue of 15,000,000 Edgars Stores Limited ordinary shares at an issue price of US\$0,10 per share and the notice of an EGM which incorporates all letters and appendices relating thereto;
"Companies Act"	The Companies Act [Chapter 24:03] of Zimbabwe;
"Conditions Precedent"	The conditions precedent set out in Part 1 Section 2 of this Circular;
"Corpserve" or "Transfer Secretaries"	Corpserve (Private) Limited, a company incorporated in Zimbabwe which provides share transfer secretarial services to Edgars Stores Limited;
"Edcon"	Edcon Limited, a company incorporated in the republic of South Africa that operates as a non-food retailer primarily selling clothing, footwear, cosmetics, stationery, mobile phones, home wares, and accessories to middle to upper income consumers. Edcon is the largest shareholder in Edgars holding 38,1% of Edgars' issued share capital;
"Edgars" or "the Company"	Edgars Stores Limited, a public company incorporated in Zimbabwe under company number 349/1948 that is engaged in the retailing of clothing, footwear, textile and accessories;
"Edgars Shareholder"	A holder of Edgars ordinary shares registered in the Edgars share register and, particularly for the purposes of this Circular, as at the Record Date;
"EY" or "the Reporting Accountants"	Ernst & Young Chartered Accountants (Zimbabwe) Registered Public Auditors, the auditors and reporting accountants to Edgars with respect to the Proposed Transaction;
"EGM"	The extraordinary general meeting of Edgars Stores Limited shareholders to be held at the Edgars Training Auditorium, 1 st Floor, LAPF House, Corner 8 th Avenue and Jason Moyo Street, Bulawayo, at 10:00hrs on Wednesday 16 January 2019, or any adjournment thereof to approve the ordinary resolutions;
"Exchange Control Regulations"	The Exchange Control Regulations S.I. 109 of 1996 currently in force in Zimbabwe;
"Fair and Reasonable Opinion"	Refers to the document attached in Part 2 Appendices prepared by PricewaterhouseCoopers Business Services (Private) Limited that outlines their opinion on the Proposed Transaction;
"Form of Proxy"	The form accompanying this Circular which provides for Edgars Shareholders to appoint a proxy to attend the EGM and vote on their behalf on the Resolutions;
"GGG" or "the Legal advisors"	Gill, Godlonton and Gerrans Legal Practitioners, registered legal practitioners and legal advisors to Edgars regarding the Proposed Transaction;
"IES" or "Sponsoring Brokers"	Imara Edwards Securities (Private) Limited, a company incorporated in Zimbabwe, a licensed stockbroker in terms of the Securities and Exchange Act of 2004 [Chapter 24:25] and a Member of the Zimbabwe Stock Exchange, that is sponsoring broker to Edgars;
"Independent Financial Advisor" or "PwC"	PricewaterhouseCoopers Business Services (Private) Limited, a private limited liability company incorporated in Zimbabwe and registered as an Investment Advisor (Corporate Finance) by the Securities and Exchange Commission, the Independent Financial Advisors that have provided the Fair and Reasonable opinion on the Proposed Transaction;
"Imara"	Imara Corporate Finance Zimbabwe (Private) Limited, a company incorporated in Zimbabwe that is acting as corporate and financial advisor to Edgars regarding the Proposed Transaction;

"Last Practicable date"	The date on which this circular was finalised;
"Non-resident Shareholder"	An Edgars shareholder with non-resident status in terms of the Exchange Control Regulations;
"Notice"	The notice to Edgars Shareholders containing the ordinary resolutions incorporated in this Circular which was published in accordance with the Companies Act and the ZSE Listing Requirements Friday 21 December 2018 convening the EGM;
"Proposed Transaction"	The proposed acquisition of the intellectual property rights to trademarks and brands assigned to Edgars by Edcon for the territory of Zimbabwe from Edcon for a consideration of US\$ 1,500,000 which will be settled through the issue of 15,000,000 Edgars ordinary shares to Bellfield Limited a wholly owned subsidiary of Edcon or any other investment vehicle nominated by Edcon at an issue price of US\$0,10 per share;
"Record Date"	The date on which the share register of Edgars will be closed to determine eligibility of shareholders for participation in the EGM, which date is expected to be the close of business (16:00 hours) on Monday 14 January 2019;
"Resolutions"	The ordinary resolutions, contained in the Notice, giving effect to the Proposed Transaction which will be set before Edgars Shareholders at the EGM;
"US\$" or "USD"	United States Dollar, the legal tender of the United States of America in which monetary amounts in this Circular are expressed;
"ZSE"	The Zimbabwe Stock Exchange Limited; and
"ZSE Listing Requirements"	The Listing Requirements of the ZSE, being the rules regulating listings on the ZSE.

CORPORATE INFORMATION

Directors:

Mr. Thembinkosi Sibanda
Mr. Canaan Dube
Mr. Raymond Mlotshwa
Dr. Leonard Tumba
Mr. Grant Pattison
Mrs. Linda Masterson
Mr. Blair Galloway
Mr. Vusumuzi Mpofu
Ms. Tjeludo Ndlovu

Non-Executive Chairman
Non-Executive Director
Non-Executive Director
Non-Executive Director
Non-Executive Director
Group Managing Director
Group Finance Director
Jet Chain Director
Edgars Chain Director

Business Address and Registered Office:

Edgars Stores Limited
Edgars Head Office
Corner Ninth Avenue and Herbert Chitepo Street
Bulawayo
Zimbabwe

(P. O. Box 894, Bulawayo)

Sponsoring Broker:

Imara Edwards Securities (Private) Limited
Block Two, Tendeseka Office Park
Samora Machel Avenue
Eastlea, Harare
Zimbabwe

(P.O. Box 1475, Harare)

Share Transfer Secretaries:

Corpserve (Private) Limited
2nd Floor, ZB Centre
Corner Kwame Nkrumah Avenue and 1st Street
Harare
Zimbabwe

(P.O. Box 2208, Harare)

Independent Financial Advisor:

PricewaterhouseCoopers Business Services (Private) Limited
Building No.4, Arundel Office Park
Norfolk Road, Mount Pleasant
Harare
Zimbabwe

(P.O. Box 453, Harare)

Financial Advisor:

Imara Corporate Finance Zimbabwe (Private) Limited
Block Two, Tendeseka Office Park
Samora Machel Avenue
Eastlea, Harare
Zimbabwe

(P.O. Box 1475, Harare)

Auditors and Independent Reporting Accountants:

Ernst & Young Chartered Accountants (Zimbabwe)
Registered Public Auditors
Derry House
Corner Fife Street and 6th Avenue, Bulawayo
Zimbabwe

(P.O. Box 437, Bulawayo)

Legal Advisors:

Gill, Godlonton & Gerrans Legal Practitioners
7th Floor, Beverly Court
100 Nelson Mandela Avenue
Harare
Zimbabwe

(P.O. Box 8, Harare)

Company Secretary:

Buhlebenkosi Mpofu
Edgars Stores Limited
Edgars Head Office
Corner Ninth Avenue and Herbert Chitepo Street
Bulawayo
Zimbabwe

(P. O. Box 894, Bulawayo)

CONTENTS		PAGE
	DEFINITIONS	iii
	CORPORATE INFORMATION	v
	EXPECTED TRANSACTION TIMETABLE	vii
	TRANSACTION SUMMARY AND SALIENT DETAILS	viii
PART 1	THE PROPOSED TRANSACTION	
1	THE PROPOSED TRANSACTION	10
2	CONDITIONS PRECEDENT TO THE PROPOSED TRANSACTION	13
3	FAIR AND REASONABLE OPINION	13
4	FUTURE PROSPECTS	13
5	STATUTORY AND GENERAL INFORMATION ON EDGARS	13
6	EXPERTS' CONSENTS	28
7	TRANSACTION COSTS	28
8	DOCUMENTS AVAILABLE FOR INSPECTION	28
9	DIRECTORS' RESONSIBILITY STATEMENT AND VOTING RECOMMENDATION	29
PART 2	APPENDICES TO THE CIRCULAR TO SHAREHOLDERS	
1	REPORT OF THE INDEPENDENT REPORTING ACCOUNTANTS ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF EDGARS	31
2	REPORT OF THE INDEPENDENT REPORTING ACCOUNTANTS ON THE HISTORICAL FINANCIAL INFORMATION OF EDGARS	33
3	FAIR AND REASONABLE OPINION OF THE INDEPENDENT FINANCIAL ADVISOR	35
PART 3	NOTICES AND FORMS	
1	NOTICE OF EGM	40
2	FORM OF PROXY	41
3	FORM OF SURRENDER, ELECTION AND ACCEPTANCE	42

EXPECTED TRANSACTION TIMETABLE

Transaction milestone	
Last Practicable Date	Friday 21 December 2018
EGM notice and abridged circular to shareholders published	Friday 21 December 2018
Distribution of circular to Edgars Shareholders	Friday 21 December 2018
EGM Record Date for purposes of being entitled to vote at the EGM	Monday 14 January 2019
Last date for lodging forms of proxy relating to the EGM (by 16:00 hrs)	Monday 14 January 2019
EGM of Edgars Shareholders at 10:00 hrs	Wednesday 16 January 2019
Publication of the results of the EGM	Friday 18 January 2019

NOTES:

The above dates are subject to change and any amendments will be published in a local newspaper circulating in Zimbabwe. All times indicated above and elsewhere in this Circular are Zimbabwean local times.

If you have any questions on any aspects of this Circular, please contact your stockbroker, accountant, banker, legal practitioner or other professional advisor or Tawanda Masose at Imara Corporate Finance Zimbabwe, Block Two, First Floor, Tendeseka Office Park, Samora Machel Avenue, Harare, Zimbabwe; Telephone number +263 242 701320 or +263 242 790280; Fax +263 242 701319; or on the following email address : tawanda.masose@imaracapital.com

This summary presents the salient information in relation to the Proposed Transaction in which Edgars will acquire the intellectual property rights to trademarks and brands assigned to Edgars by Edcon for the territory of Zimbabwe from Edcon. This Document should accordingly be read in its entirety for a full appreciation of the rationale for, and the implications of the Proposed Transaction as well as with regard to determining the action required by Edgars Shareholders with respect to the corporate action outlined in this Document.

RATIONALE AND SALIENT DETAILS OF THE PROPOSED TRANSACTION

The Company currently operates the Jet and Edgars Brands (and has rights to a number of other Edcon trademarks and brands that are currently dormant) in Zimbabwe under a Franchise Agreement with Edcon. Annual franchise fees are calculated using a formula based on a percentage of revenue. The opportunity to acquire the intellectual property rights to trademarks and brands that include but are not limited to the Jet, Edgars, Signature, ENZO, Kelso, Donatella, Massumi, Stone Harbour, D66 and Marien Hall brands, though opportunistic is in line with the Company's strategic goals of improving its financial performance and represents an opportunity for permanent reduction of operating costs going forward as well as the local ownership of strong retail brands that have, and will continue to generate value for all shareholders.

The Directors of Edgars invite shareholders to attend an EGM to be held at the Edgars Training Auditorium, 1st Floor, LAPF House, Corner 8th Avenue and Jason Moyo Street, Bulawayo, on Wednesday 16 January 2019, at 10:00 hours where Resolutions that if passed will result in the acquisition of the Jet and Edgars Brands in Zimbabwe from Edcon by Edgars. The Resolutions to be considered and voted on are listed below:

As Ordinary Resolutions:

1. That the Company is hereby authorised to acquire the intellectual property rights to trademarks and brands assigned to Edgars by Edcon for the territory of Zimbabwe from Edcon for a consideration of US\$1,500,000 to be settled through the issue of 15,000,000 Edgars ordinary shares.

Edcon (through Bellfield Limited, a 100% owned company through which Edcon holds its ordinary shares in Edgars) is the largest shareholder in Edgars and holds approximately 38,1% of the shareholding in Edgars. As such, it is considered a Related Party in terms of the ZSE Listing Requirements and is therefore excluded from voting on this Ordinary Resolution.

This resolution will require that a simple majority of 50% plus one vote of shareholders (other than Edcon) present in person or by proxy, entitled to vote at the meeting, vote in favour of the resolution.

2. The Directors be and are hereby authorised to do all such things as they may consider necessary or desirable to give effect to or pursuant to or in connection with the Proposed Transaction.

This resolution will require that a simple majority of 50% plus one vote of shareholders present in person or by proxy entitled to vote at the meeting, vote in favour of the resolution.

ACTION TO BE TAKEN BY SHAREHOLDERS

- Attend the EGM to approve the Resolutions related to the Proposed Transaction. If an Edgars Shareholder has disposed of all their ordinary shares in Edgars, then this document should be handed to the purchaser of such ordinary shares or the stockbroker, banker or other agent through whom the disposal was effected.
- Edgars Shareholders who are unable to attend the EGM, but who wish to be represented thereat, should complete and sign the Proxy Form included with this Document in accordance with the instructions contained therein, and ensure it is either returned or delivered to Corpserve (Private) Limited at 2nd Floor, ZB Centre, Corner Kwame Nkrumah Avenue and 1st Street, Harare or the registered offices of the Company being, Edgars Head Office, Corner Ninth Avenue and Herbert Chitepo Street, Bulawayo so that it is received by the Share Transfer Secretaries no later than 16:00 hours on Monday 14 January 2019.
- Edgars Shareholders may attend the meeting in person, notwithstanding the completion and return of a Proxy Form. In order to attend the EGM, persons who have recently acquired Edgars ordinary shares which have not been registered in their names should ensure that such registration is effected on or before the close of business on Monday 14 January 2019.

OPINIONS AND RECOMMENDATIONS

The Directors have considered the terms of the Proposed Transaction and are of the opinion that they are in the best interests of the Company. Accordingly, the Directors recommend that Edgars Shareholders vote in favour of the Proposed Transaction. Directors who are shareholders of Edgars intend to vote in favour of the Proposed Transaction in respect of the shares in Edgars owned directly or indirectly, by them.

Inspection of the circular

The public may inspect this Circular during normal business hours from Friday 21 December 2018 to Wednesday 16 January 2019, from the following offices:

Sponsoring Broker:

Imara Edwards Securities (Private) Limited
Block Two, First Floor, Tendeseka Office Park
Samora Machel Avenue
Eastlea, Harare
Zimbabwe

Share Transfer Secretary:

Corpserve (Private) Limited 2nd Floor, ZB Centre
Corner Kwame Nkrumah Avenue and 1st Street
Harare
Zimbabwe

Financial Advisor:

Imara Corporate Finance Zimbabwe (Private) Limited
Block Two, First Floor, Tendeseka Office Park
Samora Machel Avenue
Eastlea, Harare
Zimbabwe

Edgars Stores Limited Head Office:

Edgars Stores Limited
Edgars Head Office
Corner Ninth Avenue and Herbert Chitepo Street
Bulawayo
Zimbabwe

PART 1: CHAIRMAN'S LETTER TO SHAREHOLDERS



EDGARS STORES LIMITED

(A public company incorporated in the Republic of Zimbabwe under company registration number 379/1948)

Directors: Mr. T. N. Sibanda, Mr. C. Dube, Dr. L.L. Tsumba, Mr. R. Mlotshwa, Mr. G. Pattison
Mrs. L. Masterson, Mr. V. Mpofu, Ms. T. Ndlovu and Mr. J. B. Galloway

Address: Edgars Head Office, Corner Ninth Avenue and Herbert Chitepo Street, Bulawayo

Dear Shareholder,

1. THE PROPOSED TRANSACTION

1.1 Background and rationale for the Proposed Transaction

The executive management of the Company has been working to implement initiatives that will improve the Company's operating and financial performance. This has included revamping selected retail locations, enhancing merchandising, improving the Company's supply chain, setting up and growing a complementary financial services business, investing in the training of its staff, staff rationalisation where appropriate and investing in the Company's information technology infrastructure. To date the results have been positive and further work will be implemented with a view to achieving the goals laid out in the Company's 2018 to 2022 strategic plan.

An opportunity to further lower the Company's operating costs arose when the management team entered into discussions with Edcon regarding the acquisition of the Edgars and Jet Brands locally. The Company currently operates these brands under a Franchise Agreement, paying an annual franchise fee calculated in the first year using a formula based on a percentage of revenue and from the second year based on an independent assessment and review of Edgars' business by a firm of auditors (again agreed to be a percentage of revenue). As at the last practicable date, the Company had outstanding franchise fees payable to Edcon amounting to approximately US\$2,1 million. Edcon and Edgars continue to engage in discussions regarding methods that can be used to settle these outstanding franchise fees.

The opportunity to acquire the Jet and Edgars Brands (and a number of other Edcon trademarks and brands that include but are not limited to the Jet, Edgars, Signature, Donatella, Massumi, Stone Harbour, D66, Kelso and ENZO brands), though opportunistic is in line with the Company's strategic goals of improving its financial performance and represents an opportunity for permanent reduction of operating costs going forward. The Proposed Transaction also provides a unique opportunity to secure local ownership of these strong retail brands that have, and will continue to generate value for all shareholders.

1.2 Mechanics of the Proposed Transaction

Edgars will acquire the intellectual property rights to trademarks and brands assigned to Edgars by Edcon for the territory of Zimbabwe from Edcon. The purchase price has been agreed at US\$1,500,000. Edgars and Edcon have agreed to settle the purchase consideration through the issue of 15,000,000 Edgars ordinary shares. The purchase price and method of settlement were arrived at after applying appropriate valuation methods to determine a valuation range for the Jet and Edgars brands and the final terms were agreed upon after a process of negotiation between representatives of the Edgars and Edcon management teams. The acquisition shares will be issued from the unissued shares currently under the control of Directors.

1.3 Effects of the Proposed Transaction

Shareholding

Table 1 provides an overview of the expected changes in the Edgars share register should the Proposed Transaction be approved by shareholders.

Table 1: Summary of Edgars shareholder register before and after the Proposed Transaction

Shareholder	Current shareholding	Percentage	Shares issued	New shareholding	Percentage
Bellfield Limited – Edcon	112,138,510	38.07%	15,000,000	127,138,510	41.07%
Stanbic Nominees (Private) Limited	38,044,665	12.92%	-	38,044,665	12.29%
ZimEdgroup Employee Trust	35,950,445	12.21%	-	35,950,445	11.61%
SCB Nominees	24,797,863	8.42%	-	24,797,863	8.01%
Old Mutual Zimbabwe Limited	21,058,076	7.15%	-	21,058,076	6.80%
Old Mutual Life Assurance Company Zimbabwe Limited	15,505,098	5.26%	-	15,505,098	5.01%
National Social Security Authority (NPS)	3,525,438	1.20%	-	3,525,438	1.14%
Anglo American Ass Co PF - Imara	2,699,291	0.92%	-	2,699,291	0.87%
Local Authorities Pension Fund	2,410,455	0.82%	-	2,410,455	0.78%
LHG Malta Holdings Limited	2,105,991	0.72%	-	2,105,991	0.68%
National Foods PF - Imara	1,919,846	0.65%	-	1,919,846	0.62%
Sagit Finance Company (Private) Limited	1,805,585	0.61%	-	1,805,585	0.58%
Linda Masterson	1,578,400	0.54%	-	1,578,400	0.51%
Setma (Private) Limited	1,329,039	0.45%	-	1,329,039	0.43%
ABC Asset Management (Private) Limited - Domestic	1,269,537	0.43%	-	1,269,537	0.41%
FBC Holdings Limited PF - Imara	940,148	0.32%	-	940,148	0.30%
Colossus Investments (Private) Limited	926,911	0.31%	-	926,911	0.30%
HIT Pension Fund - Imara	924,782	0.31%	-	924,782	0.30%
Amzim Pension Fund - Imara	798,548	0.27%	-	798,548	0.26%
Upmarket Real Estate (Private) Limited	767,255	0.26%	-	767,255	0.25%
Selected shares	756,798	0.26%	-	756,798	0.24%
Non - selected shares	271,252,681	92.10%	-	286,252,681	92.48%
Total	23,276,257	7.90%	-	23,276,257	7.52%
	294,528,938	100.00%	15,000,000	309,528,938	100.00%

1.4 Proforma financial information

The information set out in this paragraph should be read in conjunction with the report of the Independent Reporting Accountants on the Unaudited Proforma Financial Information of Edgars in Part 2 Appendices. The proforma financial information presented below is for illustrative purposes only and due to its nature, cannot give a complete picture of the financial position of the Company after the Proposed Transaction.

Edgars Stores Limited	Consolidated Statement of Financial Position			Proforma Statement of Financial Position
	as at 8 July 2018			as at 8 July 2018
	reviewed			unaudited
	Note 1	Note 2	Note 3	Note 4
Assets				
Non-current assets				
Property, plant and equipment	7,720,520			7,720,520
Intangible assets	1,644,872	1,500,000		3,144,872
Total non-current assets	9,365,392			10,865,392
Current assets				
Inventories	14,756,674			14,756,674
Trade and other receivables	22,266,367			22,266,367
Loans and advances to customers	2,636,211			2,636,211
Cash and cash equivalents	1,036,699			1,036,699
Total current assets	40,695,951			40,695,951
Total assets	50,061,343			51,561,343
Equity and liabilities				
Equity				
Issued capital	405,690	1,500,000		1,905,690
Other reserves	2,636,513			2,636,513
Retained earnings	28,268,163		(180,000)	28,088,163
Total capital and reserves	31,310,366			32,630,366
Non-current liabilities				
Interest bearing loans and borrowings	1,537,379			1,537,379
Deferred tax liability	2,893,700			2,893,700
Total non-current liabilities	4,431,079			4,431,079
Current liabilities				
Trade and other payables	7,817,728		180,000	7,997,728
Dividend Payable	358,588			358,588
Current tax payable	117,987			117,987
Interest bearing loans and borrowings	6,025,595			6,025,595
Total current liabilities	14,319,898			14,499,898
Total liabilities	18,750,977			18,930,977
Total equity and liabilities	50,061,343			51,561,343

NAV per share (cents)

11

11

Notes

- Note 1 Unaudited consolidated statement of financial position of Edgars as at 8 July 2018, pre-transaction
Note 2 Being the increase in intangible assets and increase in share capital and share premium
Note 3 Being the costs related to the transaction as presented in this Circular
Note 4 Unaudited Proforma consolidated statement of financial position of Edgars post-transaction

1.5 Further notes on the Proposed Transaction

Potential fair value adjustments

The share issue to Edcon will only be implemented once all Conditions Precedent to the Proposed Transaction have been received or are achieved. On the date of issuance of the shares, the transaction price may differ depending on the price that Edgars shares will be trading at on the ZSE. Any difference between the equity price (the price per share of Edgars and the total number of shares to be issued) and the value of the brands will be allocated to shareholders equity as appropriate. The final impact of the Proposed Transaction will be disclosed in detail the Company's next annual reports.

Potential tax consequences

The Company is issuing shares to acquire an asset; the Edgars and Jet brands for the territory of Zimbabwe. The Board and senior management are not aware of any material tax consequences that may result from the implementation of the Proposed Transaction.

2. CONDITIONS PRECEDENT

The Proposed Transaction is subject to the following Conditions Precedent being fulfilled:

1. Edgars receiving the relevant shareholder approvals for the resolutions tabled at the EGM concerning the Proposed Transaction and the issuance of shares to Edcon;
2. Registration of the Resolutions relating to the Proposed Transaction with the Registrar of Companies;
3. Edcon receiving relevant statutory approvals in the Republic of South Africa, as well as approvals from the lenders of Edcon (including its affiliates) in terms of various indenture and financing documents;
4. The Reserve Bank of Zimbabwe Exchange Control Department granting the approvals for the issuance of shares to Edcon as a New Nonresident shareholder; and
5. The approval by the ZSE Listings Committee of the listing of the new Edgars shares to be issued to Edcon to give effect to the Proposed Transaction.

3. FAIR AND REASONABLE OPINION

PwC have been appointed as the Independent Financial Advisor and have considered the terms and conditions of the Proposed Transaction. PwC are of the opinion that the acquisition of the Edgars and Jet brands and issuance of Edgars ordinary shares to Edcon are fair and reasonable to the shareholders of Edgars. PwC has advised the directors of Edgars of their opinion by way of a letter, copy of which is set out in Part 2 Appendices.

4. FUTURE PROSPECTS

The local clothing and apparel industry remains very competitive. The Directors and senior management will continue to make appropriate investments into the Company to enhance its business model with a view to growing market share and maximising productivity. The Company expects to achieve these two objectives by providing customers with compelling brands, prices and assortments, attractive credit options, enhancing convenience by improving store environments and deploying retail technology trends appropriate for the local market.

The management team plans on making investments into Carousel to upgrade selected plant and equipment, to refresh the look of selected outlets to bring them in line with modern trends and make further investments in the information technology planning and reporting tools to support the supply chain. Club Plus, the Company's micro lending business represents a growth opportunity for Edgars going forward. The subsidiary currently provides credit to in-store customers and has been using internal credit scoring systems to provide credit to third parties. The loan book currently stands at US\$ 3 million and management sees opportunities to leverage the Company's 100,000 customer accounts for further growth whilst maintaining its current conservative approach to lending. The book is currently funded internally and management will consider and implement plans to secure external funding to facilitate growth.

5. STATUTORY AND GENERAL INFORMATION OF EDGARS

In addition to the aspects already covered in this letter, the statutory and regulatory information set out below is provided in accordance with the ZSE Listing Requirements.

5.1 Business overview

Edgars is a leading non food retailer offering high quality and competitively priced clothing, footwear, textile and accessories. The Company was founded by Sydney Press in 1946. Through its credit and cash stores, the Company aims to supply its customers with value for money by providing quality merchandise for the family at competitive prices. The Company's operations grew from strength to strength from 1946 and to hedge against potential risks associated with erratic supplies and stock outs the Company acquired Carousel Clothing factory in 1974. In 1984, another retail brand called Express was introduced and its first store opened in Harare's Julius Nyerere Way. By 1988 there were 24 Express outlets. In November 2011, Express Mart was rebranded and Jet Stores launched, to offer more value and variety to customers. Today the Company is organised into three strategic business units; retailing, manufacturing and microfinance:

Retailing: where the Company retails its products through the two established brands under a franchise agreement with Edcon. Edgars, the Company flagship brand provides quality, fashion and convenient shopping at competitive prices to the whole family in the middle to upper-income groups. The brand offers fashion merchandise, with no compromise on quality, at competitive prices for the whole family. Jet provides quality, value and commercial fashion with compelling opening price points at very competitive prices to the whole family in the lower to middle income group.

Manufacturing: Carousel is the Company's manufacturing division. Situated in Bulawayo, it produces a wide range of denim, ladies, children's and gents casual wear that it supplies to our retail divisions as well as to other retailers.

Microfinance: Club Plus is the Company's micro lending business. The subsidiary currently provides credit to in-store customers and has been using internal credit scoring systems to provide credit to third parties. The loan book currently stands at circa US\$3 million.

5.2 Historical financial information

The historical information set out in this paragraph has been extracted from Edgars' reviewed half year financial statements for the period ended 8 July 2018 and from Edgars' five year financial performance from the 52 weeks ended 8 January 2014 to the 52 weeks ended 7 January 2018. The historical information should be read in conjunction with the report of the Independent Reporting Accountants on the Historical Financial Information of Edgars in Part 2 Appendices.

The historical financial information from pages 14 to 16 has been extracted from Edgars' reviewed half year financial statements for the period ended 8 July 2018.

Edgars Stores Limited Statements of Profit or Loss and other Consolidated Income for the	26 weeks to 8 July 2018 reviewed	26 weeks to 9 July 2017 unaudited
	US\$	US\$
Revenue	32,140,422	24,675,945
Sale of merchandise	31,179,217	24,078,656
Cost of sales	(18,257,121)	(14,014,398)
Gross profit	12,922,096	10,064,258
Revenue from microfinance institution	473,487	-
Other gains and losses	(5,343)	(181,983)
Credit management and debt collection costs	(1,029,436)	(750,163)
Store expenses	(5,872,100)	(5,253,467)
Depreciation and amortisation	(927,147)	(899,211)
Termination benefits	(282,990)	-
Other operating income and expenses	(5,708,862)	(5,723,801)
Finance income	3,353,246	4,236,557
Finance costs	(297,277)	(618,027)
Profit/(loss) before tax	2,625,674	874,163
Income tax (expense)/credit	(724,619)	(306,664)
Profit/(loss) for the period	1,901,055	567,499
Other comprehensive income for the period (net of tax)	-	-
Total comprehensive income for the period	1,901,055	567,499
Earnings per share (cents)		
Basic	0.74	0.22
Diluted	0.73	0.22
Headline	0.74	0.22

Edgars Stores Limited Consolidated Statements of Position as at

	8 July 2018 reviewed	7 January 2018 audited	9 January 2017 audited
ASSETS			
Non-current assets			
Property, plant and equipment	7,720,520	7,199,567	7,171,869
Intangible assets	1,644,872	1,959,254	2,581,375
Total non-current assets	9,365,392	9,158,821	9,753,244
Current assets			
Inventories	14,756,674	14,144,671	11,517,123
Trade and other receivables	22,266,367	24,335,519	24,808,996
Loans and advances to customers	2,636,211	643,573	-
Cash and cash equivalents	1,036,699	2,296,428	1,743,244
Total current assets	40,695,951	41,420,191	38,069,363
TOTAL ASSETS	50,061,343	50,579,012	47,822,607
EQUITY AND LIABILITIES			
Equity			
Issued capital	405,690	405,690	391,338
Other reserves	2,636,513	2,636,513	2,631,783
Retained earnings	28,268,163	27,339,054	23,197,600
Total capital and reserves	31,310,366	30,381,257	26,220,721
Non-current liabilities			
Interest bearing loans and borrowings	1,537,379	2,289,011	321,923
Deferred tax liability	2,893,700	3,143,972	2,481,496
Total non-current liabilities	4,431,079	5,432,983	2,803,419
Current liabilities			
Trade and other payables	7,817,728	11,497,718	6,566,206
Dividend payable	358,588	-	-
Current tax payable	117,987	891,034	1,299,090
Interest bearing loans and borrowings	6,025,595	2,376,020	10,933,171
Total current liabilities	14,319,898	14,764,772	18,798,467
Total liabilities	18,750,977	20,197,755	21,601,886
TOTAL EQUITY AND LIABILITIES	50,061,343	50,579,012	47,822,607

Edgars Stores Limited Consolidated Statement of Cash flows for the

	26 weeks to 8 July 2018 reviewed	26 weeks to 9 July 2017 unaudited
Cash flows from operating activities		
Profit before tax	2,625,674	874,163
Finance income	(3,353,246)	(4,236,557)
Finance costs	297,277	618,027
Non cash items	1,607,969	(18,063)
Movements in working capital	(4,901,065)	2,027,851
Cash generated from /(used in) in operations	(3,723,391)	(734,579)
Finance costs paid	(241,873)	(705,263)
Finance income received	3,308,010	4,236,557
Taxation paid	(1,749,664)	(1,038,192)
Cash (outflow)/ inflow from operating activities	(2,406,918)	1,758,523
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,151,091)	(215,369)
Proceeds from disposal of property, plant and equipment	13,696	-
Net cash used in investing activities	(1,137,395)	(215,369)
Cash flows from financing activities		
Proceeds from borrowings	3,986,365	1,500,000
Repayment of borrowings	(1,088,423)	(3,318,937)
Payments of dividend	(613,358)	-
Net cash generated from /(used in) financing activities	2,284,584	(1,818,937)
Net decrease in cash and cash equivalents	(1,259,729)	(275,783)
Cash and cash equivalents at the beginning of the period	2,296,428	1,743,244
Cash and cash equivalents at the end of the period	1,036,699	1,467,461

The historical financial information below has been extracted from audited financial statements of Edgars for the 52 weeks ended 8 January 2014, 53 weeks ended 10 January 2015, 52 weeks ended 9 January 2016, 52 weeks ended 8 January 2017 and 52 weeks ended 7 January 2018. The information in this paragraph should be read in conjunction with Part 2 Appendices – The Independent Reporting Accountants’ Report on Edgars’ historical financial performance.

Edgars Stores Limited Statements of Profit or Loss and other Consolidated Income for the

	52 weeks to 7 January 2018	52 weeks to 8 January 2017	52 weeks to 9 January 2016	53 weeks to 10 January 2015	52 weeks to 8 January 2014
Revenue	64,106,544	52,123,970	63,902,246	73,036,678	64,823,709
Sales of merchandise	62,882,028	50,329,626	62,272,355	72,071,863	64,761,574
Revenue from microfinance institution	91,853	-	-	-	-
Cost of sales	(35,952,145)	(28,767,402)	(33,603,198)	(38,651,078)	(33,734,141)
Gross profit	27,021,736	21,562,224	28,669,157	33,420,785	31,027,432
Other gains and losses	(116,885)	(137,292)	(69,314)	(27,679)	139,794
Credit management and debt collection costs	(2,513,224)	(5,530,155)	(6,104,432)	(3,788,491)	(2,740,556)
Store expenses	(11,472,573)	(11,913,954)	(12,620,890)	(13,285,782)	(11,840,943)
Other operating income and expenses	(13,650,677)	(12,211,701)	(11,577,910)	(12,023,167)	(11,672,317)
Finance income	7,699,950	10,264,287	10,511,127	5,123,429	2,766,779
Finance costs	(1,088,513)	(1,682,346)	(2,735,219)	(1,943,703)	(1,734,876)
Profit/(loss) before tax	5,879,814	351,063	6,072,519	7,475,392	5,945,314
Income tax (expense)/credit	(1,777,187)	197,100	(2,108,486)	(2,291,588)	(1,707,126)
Profit/(loss) for the period	4,102,627	548,163	3,964,033	5,183,805	4,238,188
Other comprehensive income for the period (net of tax)	-	-	604,981	-	-
Total comprehensive income/(loss) for the year	4,102,627	548,163	4,569,014	5,183,805	4,238,188
Earnings per share (cents)					
Basic	1.59	0.21	1.54	2.02	1.68
Diluted	1.59	0.21	1.53	1.93	1.63

Edgars Stores Limited Consolidated Statement of Financial Position as at

	52 weeks to 7 January 2018	52 weeks to 8 January 2017	52 weeks to 9 January 2016	53 weeks to 10 January 2015	52 weeks to 8 January 2014
ASSETS					
Noncurrent assets					
Property, plant and equipment	7,199,567	7,171,871	7,848,795	7,872,382	7,124,993
Intangible asset	1,959,254	2,581,374	1,475,872	111,667	151,667
Deferred taxation	-	-	-	94,210	334,210
Total noncurrent assets	9,158,821	9,753,245	9,324,667	8,078,259	7,610,870
Current assets					
Trade and other receivables	24,335,519	24,808,994	32,344,417	34,315,693	23,679,486
Inventories	14,144,671	11,517,123	12,802,184	11,688,588	11,208,534
Loans and advances to customers	643,573	-	-	-	-
Income tax receivable	-	-	-	-	6,960
Cash and cash equivalents	2,296,428	1,743,245	534,045	848,731	906,326
Total current assets	41,420,191	38,069,362	45,680,646	46,853,012	35,801,306
TOTAL ASSETS	50,579,012	47,822,607	55,005,313	54,931,271	43,412,176
EQUITY AND LIABILITIES					
Issued capital	405,690	391,338	378,089	352,472	251,184
Other reserves	2,636,513	2,631,783	2,603,902	2,646,355	2,472,685
Retained earnings	27,339,054	23,197,600	23,471,784	18,921,247	13,737,442
Total equity	30,381,257	26,220,721	26,453,775	21,920,074	16,461,311
Noncurrent liabilities					
Deferred taxation	3,143,972	2,481,496	3,845,922	3,948,647	3,107,710
Loans and borrowings	2,289,011	321,923	6,859,007	11,527,946	10,877,348
Total non-current liabilities	5,432,983	2,803,419	10,704,929	15,476,593	13,985,058
Current liabilities					
Interest bearings loans and borrowings	2,376,020	10,933,171	11,165,934	8,814,088	7,323,253
Trade and other payables	11,497,718	6,566,206	5,879,634	8,373,553	5,642,554
Current tax liability	891,034	1,299,090	801,041	346,963	-
Total current liabilities	14,764,772	18,798,467	17,846,609	17,534,604	12,965,807
Total liabilities	20,197,755	21,601,886	28,551,538	33,011,197	26,950,865
TOTAL EQUITY AND LIABILITIES	50,579,012	47,822,607	55,005,313	54,931,271	43,412,176

Edgars Stores Limited Consolidated Statement of Cash flows for the	52 weeks to 7 January 2018	52 weeks to 8 January 2017	52 weeks to 9 January 2016	53 weeks to 10 January 2015	52 weeks to 8 January 2014
Cash flows from operating activities					
Loss/(profit) before income tax	5,879,814	351,063	6,072,519	7,475,392	4,913,410
Adjustments for:					
Finance income	(7,699,950)	(10,264,287)	(10,511,127)	(5,123,429)	-
Finance costs	1,088,513	1,682,346	2,735,219	1,943,703	-
Non cash items	3,859,291	3,627,075	3,851,717	2,631,414	2,236,376
Movement in working capital	340,078	7,596,912	(3,998,318)	(11,479,812)	(3,498,796)
Cash generated from / (used in) operations	3,467,746	2,993,109	(1,849,990)	(4,552,732)	3,650,990
Finance income received	7,699,950	10,264,287	10,511,127	5,123,429	2,766,779
Finance costs paid	(1,148,353)	(1,540,213)	(2,764,977)	(1,945,223)	(1,692,426)
Income tax paid	(1,703,004)	(1,491,627)	(1,793,382)	(856,728)	(1,116,062)
Cash (out flow)/ inflow from operating activities	8,316,339	10,225,556	4,102,778	(2,231,254)	3,609,281
Cash flows from investing activities					
Payments for property, plant and equipment	(1,245,978)	(749,096)	(628,199)	(1,750,103)	(2,665,034)
Payments for intangible asset	-	(1,384,417)	(1,523,820)	340	28,390
Proceeds from disposal of property, plant and equipment	58,537	15,884	26,031	-	-
Purchase consideration on business combination	-	-	-	-	(78,997)
Net cash flows generated from/(used in) investing activities	(1,187,441)	(2,117,629)	(2,125,988)	(1,749,763)	(2,715,641)
Cash flows from financing activities					
Proceeds from issue of equity shares	14,352	13,250	25,617	101,288	97,003
Proceeds from borrowings	4,500,000	1,500,000	13,629,661	14,016,247	2,156,542
Repayment of borrowings	(11,090,067)	(8,411,977)	(15,946,754)	(10,194,116)	(6,997,631)
Net cash generated from/ (used in) financing activities	(6,575,715)	(6,898,727)	(2,291,476)	3,923,419	(4,744,086)
Net increase in cash and cash equivalents	553,183	1,209,200	(314,686)	(57,598)	(3,841,447)
Cash and cash equivalents at the beginning of the period	1,743,245	534,045	848,731	906,327	4,747,774
Cash and cash equivalents at the end of the period	2,296,428	1,743,245	534,045	848,731	906,327

Edgars Stores Limited Consolidated Statement of Changes in Equity for the 52 weeks to 7 January 2018

	Issued capital and premium	Equity settled employee benefits reserve	Revaluation reserve	Change in functional currency reserve	Retained earnings	Total
	US\$	US\$	US\$	US\$	US\$	US\$
Balance as at 5 January 2013	154,181	339,141	1,022,569	928,906	9,321,010	11,765,807
Release in respect of property, plant and equipment disposed	-	-	-	(178,244)	178,244	-
Total comprehensive income for the period	-	-	-	-	4,238,188	4,238,188
Profit for the period	-	-	-	-	4,238,188	4,238,188
Other comprehensive income	-	-	-	-	-	-
Issue of ordinary shares under employee share option plan	97,003	-	-	-	-	97,003
Recognition of shares-based payments	-	360,314	-	-	-	360,314
Balance as at 4 January 2014	251,184	699,455	1,022,569	750,662	13,737,442	16,461,312
Total comprehensive income for the period	-	-	-	-	5,183,805	5,183,805
Profit for the year	-	-	-	-	5,183,805	5,183,805
Other comprehensive income	-	-	-	-	-	-
Issue of ordinary shares under employee share option plan	101,288	-	-	-	-	101,288
Share based payment expense	-	173,669	-	-	-	173,669
Balance as at 10 January 2015	352,472	873,124	1,022,569	750,662	18,921,247	21,920,074
Total comprehensive income for the period	-	-	604,981	-	3,964,033	4,569,014
Profit for the year	-	-	-	-	3,964,033	3,964,033
Other comprehensive income	-	-	604,981	-	-	604,981
Issue of ordinary shares under employee share option plan	25,617	-	-	-	-	25,617
Share based payment expense	-	103,229	-	-	-	103,229
Transfer to distributable reserve	-	-	-	(750,662)	750,662	-
Balance as at 10 January 2016	378,089	976,353	1,627,550	-	23,635,942	26,617,934
Profit for the year	-	-	-	-	548,163	548,163
Issue of ordinary shares under employee share option plan	13,250	-	-	-	-	13,250
Share based payment expense	-	27,881	-	-	-	27,881
Balance as at 8 January 2017	391,339	1,004,233	1,627,550	-	24,019,947	27,043,069
Total comprehensive income for the period	-	-	-	-	4,102,627	4,102,627
Profit for the year	-	-	-	-	4,102,627	4,102,627
Other comprehensive income	-	-	-	-	-	-
Issue of ordinary shares under employee share option plan	14,325	-	-	-	-	14,325
Share based payment expense	-	4,732	-	-	-	4,732
Balance as at 7 January 2018	405,691	1,008,965	1,627,550	-	28,122,574	31,164,780

5.3 Dividends

The Directors may from time to time declare and pay to the Shareholders such dividends and interim dividends as appear to the Directors to be justified by the profits of the Company. The Company's ability to pay out dividends in the future will be based on profitability, cash flow generation and any considerations to conserve cash within the Company.

5.4 Details of directors and senior management

The Board of directors

The size of the Board is dictated by the Company's Articles which permit a maximum of twelve directors. Currently the Board is chaired by an independent non-executive director Mr. T N. Sibanda and consists of four executive and five non-executive directors. Non-executive directors introduce an independent view to matters under consideration and add to the breadth and depth of experience of the Board. All the non-executive directors are considered to be independent in character and judgment. Adequate directors' and officers' insurance cover has been purchased by the Company to meet any material claims against directors. Board meetings are held at least quarterly and whenever else circumstances necessitate. Directors are invited to add items to the agendas for Board meetings.

The Board of Directors accepts accountability for the transparent governance of Edgars. Governance of the Company is managed and monitored by the Board assisted by committees of the Board. The Directors believe that they have applied and complied with the principles incorporated in the National Code on Corporate Governance in Zimbabwe. The Board's responsibilities are well defined and adhered to. The Board's primary responsibilities, based on a predetermined assessment of materiality include amongst others:

- evaluating and reviewing the Company's strategic direction;
- identifying, considering and reviewing key risk areas and relevant responses as well as key performance indicators;
- monitoring investment decisions;
- considering significant financial matters;
- reviewing the performance of executive management against business plans, budgets and industry standards;
- monitoring the stewardship of the Company;
- ensuring that a comprehensive system of policies and procedures is operational;
- ensuring ethical behaviour and compliance with relevant laws and regulations, audit and accounting principles and the Company's internal governing documents and codes of conduct; and
- evaluating on a regular basis economic, political, social and legal issues, as well as any other relevant external matters that may influence or affect the development of the business or the interests of the share owners and, if appropriate taking external expert advice.

The Board is composed of the following individuals:

Thembinkosi Sibanda – Non Executive Chairman of the Board

Thembinkosi completed his tertiary education at the University of Zimbabwe with a Bachelor of Accounting Honors degree. Shortly after completing his articles of clerkship and qualifying as a Chartered Accountant (Zimbabwe), Thembinkosi was admitted into partnership and now has over 30 years experience in compliance and audit services at Schmullian & Sibanda Chartered Accountants (Zimbabwe). Thembinkosi also sits on the boards of Delta Corporation Limited, Padenga Holdings Limited, Axia Corporation Limited, Innscor Africa Limited and Pretoria Portland Cement Limited.

Canaan Dube - Non-Executive Director

Appointed to the Board in 2004, Canaan is a lawyer and corporate leader. He is a renowned commercial lawyer with considerable experience on corporate leadership mandates as well as banking and financial services work, registered and practicing as such in both Zimbabwe and Botswana. Canaan has considerable experience in corporate governance and is the Founder and Chairman of The Quality Corporate Governance Centre (Private) Limited t/a Zimbabwe Leadership Forum (Zimlef).

Dr. Leonard Tumba – Non Executive Director

Dr Tumba holds a Ph.D. in Economics and was the Governor of the Reserve Bank of Zimbabwe from August 1993 to August 2003. Prior to his work in the private sector, Dr. Tumba consulted for the United Nations Commission on Trade and Development, and served as Assistant Professor of Economics at Trinity College. Dr Tumba worked extensively with Citibank NA in the late 1970s and early 1980s, serving as International Economist and Associate Economist, and later as the Money Economist—Vice President. He also served as General Manager and Deputy Governor of the Reserve Bank, Group Chief Executive for Finhold Limited and President of the Institute of Bankers of Zimbabwe. Dr Tumba holds directorships in Old Mutual Zimbabwe Limited, Zimbabwe Microfinance Wholesale Facility Trust, Skycard and is currently the Chairman of Central Africa Building Society.

Grant Pattison – Non Executive Director

Grant graduated from the University of Cape Town with a B.Sc. Hons in Electrical Engineering in 1992. After four years with the Anglo American Group and two years in strategy consulting with The Monitor Group, Grant joined Massmart as Executive Assistant to the Executive Chairman in 1998. He held various positions within the Group, including Managing Director of Mass Discounters, Managing Director of Shield and Jumbo, Chairman of Masscash and Group Commercial Executive. In 2005 he was appointed the Deputy Chief Executive Officer and Chief Executive Officer in July 2007. He left Massmart in May 2014. Grant was the key member of the team that executed the Massmart transaction that resulted in Wal-Mart Stores Inc. becoming the major shareholder, and integrating the operations and systems of the two retailers in South Africa and the rest of the continent. Grant joined Edcon as Chief Operating Officer / CEO designate on 5 June 2017.

Raymond Mlotshwa - Non-Executive Director

Raymond joined the Company in 1981 and rose through the ranks to become Group Managing Director in September 1999, a year after his appointment to the board in 1998. He served as an executive director for eleven years, until his retirement on 31 March 2010. He was subsequently appointed non-executive director in April 2010.

Linda Masterson – Group Managing Director

As Group Managing Director, Linda is the leader of the Company and reports directly to the Board of Directors. Her job is to provide leadership and to bring about the recovery and expansion of the Company. She is responsible for developing the strategies that will achieve recovery / expansion and ensuring the efficient execution of those strategic objectives. Linda followed a financial career in manufacturing before joining Edgars as Group Financial Director in 1988. After joining the Company, she spent the next twenty years alternating between various Edgars Directorships including Group Manufacturing Director, New Business Director and Group Corporate Services Director before being appointed to her present position in April 2010.

Blair Galloway - Group Finance Director

Prior to joining Edgars, Blair was an Assurance Partner at Ernst & Young responsible for monitoring audits having been appointed partner in 2000. He was also previously Finance Director of Falcon Gold Limited a gold mining company listed on the ZSE. Blair was appointed Finance Director in 2012. He is responsible for finance, treasury, company secretarial and investor relations.

Vusumuzi Mpofu – Jet Chain Director

Vusa is an Associate Member of the Institute of Chartered Management Accountants, a Fellow of the Institute of Chartered Secretaries and Administrators and a Registered Public Accountant. He is also a member of the Catenian Association and Dominican Board of Governors. Prior to his appointment as Jet Chain Director, Vusa was Edgars Chain Director, Group Operations Director and previously held the position of Group Finance Director.

Tjeludo Ndlovu – Edgars Chain Director

Tjeludo is a Chartered Accountant with a passion for fashion. After nine years at Ernst & Young she left to join Edgars Stores Limited as Group Financial Accountant in November 2012, a position she held up to June 2016. She was then promoted to head up the Jet Chain and in 2018 she was asked to head the Edgars Chain.

5.5 Director's interests in Edgars ordinary shares

As at Friday 21 December 2018, (being the last practicable date before the publication of this document), the direct and indirect interests of the Directors in Edgars shares were as follows:

Table 2: Direct and indirect shareholding in Edgars

Name	Number of Edgars shares held		
	Last Practicable date	7 January 2018	8 January 2017
Mr. Thembinkosi Sibanda	100	100	100
Mr. Canaan Dube	100	100	100
Mr. Raymond Mlotshwa	4,100	4,100	4,100
Dr. Leonard Tsumba	100	100	100
Mr. Grant Pattison	-	-	-
Mrs. Linda Masterson	2,336,399	2,336,399	1,857,899
Mr. Blair Galloway	592,204	592,204	592,204
Mr. Vusumuzi Mpofu	5,100	5,100	5,100
Ms. Tjeludo Ndlovu	-	-	-

Board Committees

Specific responsibilities have been delegated to board committees with defined terms of reference. The current board committees are:

Audit Committee

The Audit Committee continuously evaluates the Company's exposure and response to significant risks, reviews the appropriateness and adequacy of the systems of internal financial and operational controls, reviews and evaluates accounting policies and financial information issued to the public, ensures effective communication between directors, management, internal and external auditors, reviews the performance of the internal and external auditors, recommends the appointment of the external auditors and determines their fees. The Audit Committee comprises three non-executive directors. The Finance Director is required to attend all meetings of the Committee as an invitee. The External Auditors and Head of Group Internal Audit also attend the meetings by invitation.

Remuneration Committee

This Committee's function is to approve a broad remuneration strategy for the Company and to ensure that directors and senior executives are adequately and appropriately remunerated for their contribution to the Company's operating and financial performance, in terms of base pay as well as short and long-term incentives.

Accountability and Audit

The Board is responsible for the Company's system of internal controls. Responsibility for the adequacy, extent and operations of these systems is delegated to the executive directors. To fulfill this responsibility, management maintains accounting records and has developed, and continues to maintain, appropriate systems of internal controls. The Directors report that the Company's internal controls and systems are designed to provide reasonable, but not absolute, assurance as to the integrity and reliability of the financial statements, to safeguard, verify and maintain accountability of its assets, to detect and minimise fraud, potential liability, loss and material misstatement, while complying with applicable laws and regulations. The systems of internal controls are based on established organisational structures together with written policies and procedures, including budgetary and forecasting disciplines and the comparison of actual results against these budgets and forecasts. The Directors have satisfied themselves that these systems and procedures are implemented, maintained and monitored by appropriately trained personnel with suitable segregation of authority, duties and reporting lines and, where appropriate, by the comprehensive use of advanced computer systems.

Directors and employees are required to maintain the highest ethical standards as outlined in the Company's Code of Ethics, to ensure that business practices are conducted in a manner which in all reasonable circumstances is above reproach. The effectiveness of the systems of internal controls in operation is monitored continually through reviews and reports from senior executives and the internal and external auditors.

Edgars senior management

The key members of the Company's executive management team are listed in the table below:

Table 3: Listing of Edgars executive management

Name	Position
Linda Masterson	Group Managing Director
Blair Galloway	Group Finance Director
Vusumuzi Mpofu	Jet Chain Director
Tjeludo Ndlovu	Edgars Chain Director
Zebhediah Vella	Corporate Services Director
Rumbie Dzimba	Marketing Executive
Menfree Tanyanywa	Managing Director Carousel
Lesley Williams	General Manager - Merchandising
Victor Nkomo	Group Human Resources Director
Bright Ndlovu	Group Credit Executive
Buhlebenkosi Mpofu	Group Financial Accountant and Company Secretary
Mbuso Ndlovu	Group IT Executive

5.6 Quantitative and qualitative disclosures about market and business risks

Financial Risk Management

Edgars undertakes certain transactions denominated in foreign currencies and is, therefore, exposed to exchange rate fluctuations. Exchange rate exposures are managed within approved policy parameters. In addition, the Company's financial instruments comprise bank loans, over-drafts and short term deposits. The main purpose of these financial instruments is to finance the Company's operations as well as achieve a return on surplus short term funds. The Company has various other financial assets and financial liabilities such as trade receivables and trade payables which arise directly from its operations. The main risks arising from the Company's financial instruments are interest rate risk and credit risk.

Interest Rate Risk

The Company's exposure to risk for changes in market interest rates relates primarily to variable short term overdraft rates. The Company's policy is to manage its interest cost by limiting exposure to overdrafts and where borrowings are required, to borrow at favourable and fixed rates of interest.

Credit risk

Potential concentration of credit risk consists principally of short-term cash and cash equivalents, trade and other receivables, and loans receivable from its micro finance business. Edgars deposits short term cash surpluses with major banks of quality credit standing. Trade receivables comprise of a large and widespread customer base. Edgars performs ongoing credit evaluations on the financial condition of credit customers.

Operational risks relating to Edgars' business

The retail environment and general economic conditions may deteriorate

The level of consumer demand in the non-food retail industry and in the department store segment is driven by a range of factors that include but are not limited to:

- Disposable incomes;
- Household wealth;
- Household debt; and
- Consumer sentiment.

These key consumer demand drivers are sensitive to the influence of general economic conditions including GDP growth, unemployment rates, wages growth, inflation and interest rate levels. Any negative changes in these factors may have an adverse effect on the Company's financial performance.

Customer preferences may change

Edgars' revenue is generated from fashion related products which are subject to rapid and occasionally unpredictable changes in customer preferences. Henceforth success in its business depends in part on its ability to identify customer preferences and translate such demand into appropriately priced, saleable merchandise in a timely manner. If the Company does not correctly interpret customer preferences and respond appropriately, it may lose market share to competing retailers or be left with excess or slow moving inventory, in which case it may be forced to rely on markdowns or promotional sales, thereby reducing its revenue and margins.

Edgars' business is dependent in part on the image and reputation of its brands

Edgars' financial performance is influenced by the image, perception and recognition of the brands it operates. The images of the brands depends on many factors including the customer service delivered by employees, the ability to offer a wide range of products and services responsive to customers' needs, the quality of its products, the ability to offer competitive pricing, the availability of stock in store, the image of its stores and the strength of its communication activities including advertising campaigns. Any failure to maintain favourable brand recognition could result in a loss of market share which in turn may have a material adverse effect on the Company's operational and financial performance.

Edgars operates in highly competitive markets

Competition in the retail market is generally based on product quality, timing of delivery, product design, product availability, brand name recognition, price and customer service. The retail environment in which Edgars operates is competitive as Edgars faces competition from peer group national operators as well as informal operators with much lower cost structures. As a result Edgars' competitive position may deteriorate as a result of factors including actions by existing competitors, the entry of new competitors or a failure by Edgars to position itself successfully as the retail environment changes. Any deterioration in Edgars' competitive position may result in a decline in financial performance and a loss of market share.

Edgars' relationships with suppliers may deteriorate, production costs may increase and Edgars may be adversely impacted by conditions affecting foreign suppliers

Edgars' suppliers may cease providing merchandise, or seek to pass on their operational or transportation difficulties to Edgars. Edgars is also exposed to risks associated with foreign suppliers including political instability, currency and exchange rate risks and labour practices.

Seasonal and other fluctuations in consumer demand and the risk of obsolescence

Seasonal fluctuations in customer demand for certain of the Company's products can create corresponding fluctuations in revenue and operating profit. The Company's exposure to seasonality and other fluctuations in demand is primarily due to the Company's product range, consumer demand, climate and macroeconomic conditions. Edgars typically incurs additional expenses in advance of seasonal sales peaks like the October to December trading period in anticipation of higher sales during such periods, including the cost of additional inventory, advertising and in some cases additional employees. An unanticipated decrease in demand for the Company's products could require the Company to sell excess inventory at a markdown prices, which could reduce its revenue and operating profit.

Alternatively, an unanticipated increase in demand for certain products could leave the Company unable to fulfill such demand and result in lost sales and customer dissatisfaction. Such seasonal fluctuations and/or unexpected events or developments, such as depressed economic conditions, increased interest rates or product sourcing issues, may have an adverse impact on consumer demand for the Company's products and, consequently, on the Company's business, financial condition or results of operations.

Changes in consumer demand can also result in product obsolescence, which may lead to increases in unsalable inventory that may need to be written off, therefore negatively impacting profitability. Price erosion can similarly impact profitability by decreasing its revenues and margins.

5.7 Extracts from the Memorandum and Articles of Association

The relevant provisions in Edgars' Memorandum and Articles of Association are available to be viewed along with the other documentation available for inspection as outlined in Part 1, Section 7 of this Circular.

5.8 Other listings

The Company's shares are listed on the Zimbabwe Stock Exchange and are not listed on any other stock exchange.

5.9 Share capital

The authorised and issued share capital of Edgars is comprised of 400,000,000 ordinary shares of US\$ 0,0001 each. The issued and paid up share capital of Edgars at the Last Practicable date was 294,528,938 ordinary shares of US\$ 0,0001 each. All of the issued ordinary shares in the share capital of Edgars are of one class and rank *pari passu* in all respects.

Table 4: Summary of Edgars share capital 28 September 2018 to 8 January 2017

Shares in issue	Number of shares
In issue as at last practicable date	294,528,938
In issue as at 7 January 2018	294,528,938
In issue as at 8 January 2017	294,050,538
Nominal value of shares	US\$ 0,0001

5.10 Share Capital after the Proposed Transaction

Set out below is an overview of the authorised and issued share capital of Edgars before and after the Proposed Transaction:

Table 5: Summary of the authorised and issued share capital of Edgars before and after the Proposed Transaction

Share capital before the Proposed Transaction	
Current authorised share capital	400,000,000
Current authorised and issued share capital	294,528,938
Current authorised and unissued share capital	105,471,062
Share capital after the Proposed Transaction	
Authorised shares	400,000,000
Issued share capital	309,528,938
Authorised but unissued ordinary shares	90,471,062

5.11 Share capital : Share options

Employee equity settled share option scheme

The Group has an ownership-based compensation scheme for executives and senior employees. The following shares have been set aside for this plan, as approved by shareholders at previous annual general meetings.

Table 6: Listing of shares set aside for the ownership-based compensation scheme

Resolution date	Shares set aside
29 May 2007	15,000,000
10 June 2010	16,000,000
Total	31,000,000

Directors were authorised to grant options from shares set aside at their discretion.

Each employee share option converts into one ordinary share of Edgars Stores Limited on exercise. The options carry neither rights to dividends nor voting rights. Options must be exercised within 10 years of grant date but can only be exercised from the second anniversary upon which a third can be exercised every year thereafter. Share options vest in full during the fourth year after grant date. The exercise price is determined as the mid-market price on the date the options were granted. The option is exercisable provided that the participant has remained in the Company's employ until the option vests. An exception is made where termination of employment is as a result of death or retirement. In such an event, options may be taken up and must be paid for within twelve months of such an event. In the event of a resignation, options which have vested may be taken up and paid for before expiration of notice period being served. Share options granted and forfeited can be granted at the Directors' discretion in subsequent periods.

The following share-based payment arrangements were in existence during the current and prior years:

Table 7: Share-based payment arrangements

Option series	Number	Grant Date	Expiry Date	Exercise price cents
1 Issued 29 June 2007	4,300,000	29/6/2007	28/6/2017	1.40
2 Issued 10 June 2008	5,350,000	10/6/2008	9/6/2018	0.30
3 Issued 9 July 2009	4,300,000	9/7/2009	8/7/2019	3.50
4 Issued 20 March 2010	1,050,000	20/3/2010	19/3/2020	3.50
5 Issued 11 June 2010	4,150,000	11/6/2010	10/6/2020	3.00
6 Issued 29 March 2011	4,233,333	29/3/2011	28/3/2021	8.80
7 Issued 14 March 2012	4,655,500	14/3/2012	13/3/2022	8.50
8 Issued 15 March 2013	4,550,000	15/3/2013	15/3/2023	12.19

Cancelled and forfeited options are issued to other employees and are included in the share options granted above.

The fair value at grant date was determined by applying the Black Scholes Option Pricing Model. Options granted prior to the change in functional currency were treated as if the grant date was the change in functional currency date. The vesting period was determined as being that period remaining until vesting conditions have been met.

The following table illustrates movement in the number of share options during the last financial year:

Table 8: movement in share options during the last financial year

	52 weeks to 7 Jan 18 No.	52 weeks to 7 Jan 18 WAEP USc	52 weeks to 8 Jan 17 No.	52 weeks to 8 Jan 17 WAEP USc
Outstanding at the beginning of the period	15,488,168	8,31	15,971,502	8,14
Granted during the year	-	-	-	-
Forfeited during the year	(100,000)	(0,01)	-	-
Exercised during the year	(478,400)	0,03	(483,334)	0,03
Outstanding at the end of the period	14,909,768	8,47	-	8,31
Exercisable at the end of the period	15,009,768	-	-	-
Weighted average remaining contractual life (years)	4,5	-	4,8	-

Variation of rights

All existing authorised, both unissued and issued Edgars ordinary shares, are of the same class and rank *pari passu* in every respect.

Preferential rights in respect of shares

There are no Edgars shares with preferred rights in respect of the Company's share capital.

5.12 Adequacy of capital and working capital statement

Edgars manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of Edgars consists of debt, cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings. The Board and the executive management review the Company's capital structure regularly considering the cost of capital and the risks associated with each class of capital. Based on the deliberations Edgars will balance its overall capital structure through the payment of dividends and the issue of new debt or the redemption of existing debt.

Edgars' liquidity requirements arise primarily from the requirement to fund capital expenditures, operating costs and to service debt. As at 8 July 2018 Edgars' principal sources of liquidity have consisted of cash generated from operations and borrowings. The Company's ability to generate cash from operations depends on its future operating performance, which is, in turn, dependent, to some extent, on general economic, financial, competitive and market factors. The Company's management believes that the Company's operating cash flows and borrowing capacity will be sufficient to meet its requirements and commitments for the next 52 weeks.

The Directors are of the opinion that the working capital available to the Company is adequate for its requirements for a period of 12 months from the date of issue of this circular

5.13 Major shareholders

According to the information received by the Directors, the following table details the Company's major shareholders beneficially holding more than 5% of the Company's issued share capital as at Friday 21 December 2018 being the Last Practicable Date:

Table 9: Edgars Shareholders holding more than 5% of the Company's issued share capital

Shareholder	Number of shares held	Percentage of total
Bellfield Limited – Edcon	112,138,510	38,1%
Stanbic Nominees (Private) Limited	43,917,122	14,9%
ZimEdgroup Employee Trust	35,950,445	12,2%
SCB Nominees	23,084,360	7,8%
Old Mutual Zimbabwe Limited	21,058,076	7,1%
Old Mutual Life Assurance Company Zimbabwe Limited	15,505,098	5,3%

5.14 Capital commitments and material leases

Edgars had the following capital commitments as at 7 January 2018.

Table 10: Edgars capital commitments as at 8 July 2018

Capital commitments	2018	2017
Authorised and contracted for	533,893	1,368,651
Authorised but not yet contracted for	2,679,392	1,616,859
Total	3,213,285	2,985,510

All expenditure is to be financed from existing cash resources and the utilisation of authorised borrowing facilities.

The Company's lease obligations are summarised in table 12.

Table 11: Edgars' lease obligations

Future minimum rentals under non-cancellable operating leases are as follows:	2018	2017
Within one year	3,356,713	3,535,215
After one year but not more than five years	3,144,983	4,663,642
Total	6,501,695	8,198,857

The Group anticipates a material impact as a result of the adoption of IFRS 16 'Leases' using the modified retrospective approach. The material impact relates to the capitalising of the leased stores onto the statement of financial position with the corresponding lease liability.

5.15 Contingent liabilities

The Company did not have contingent liabilities on its statement of financial position as at 8 July 2018.

5.16 Statement of indebtedness

The Company has borrowings that include secured liabilities and unsecured liabilities. Material borrowings of the Company are shown in table 12.

Table 12: Edgars' summary statement of indebtedness as at 8 July 2018

Borrowings	2018	2017
Non current interest bearing loans and borrowings	1,537,379	2,289,011
Current interest bearing loans and borrowings	6,025,595	2,376,020
Total	7,562,974	4,665,031

Borrowings have increased to US\$7,6 million (December 2017:US\$4,6 million) as a result of store revamps, shorter supplier credit terms for merchandise inputs and microfinance growth. Consequently, gearing has increased to 0,24 (December 2017 (restated): 0,15). We expect our borrowings to increase further in the second half in order to finance microfinance business growth.

Borrowings are secured by a cession of book debts (US\$9 million) and negative pledges over plant and equipment (US\$2 million). The weighted average cost of borrowing is 9,96% (2017: 9,35%).

5.17 Material contracts

Save for the agreements relating to the Proposed Transaction as described in this Circular, neither Edgars nor any of its subsidiaries have entered into any material contract other than in the ordinary course of business within the past year prior to the Last Practicable Date

5.18 Litigation statement

As at the date of this Circular, neither the Company nor any of its subsidiaries is involved in any material litigation, dispute, arbitration or administrative proceedings which may have or have had in the past twelve months preceding the date of this Circular, a significant effect on the financial position or operations of all the entities, which may have material adverse effect on the Proposed Transaction, or the capacity of the Company to continue as a going concern.

6. Experts consents

ICF, IES, EY, GGG, Corpserve and PwC have given and not withdrawn their consents to the issue of this Circular with the inclusion of their names and reports in the form and contexts in which they appear.

7. Transaction costs

The expenses of the Proposed Transaction including regulatory expenses are estimated to be US\$180,000 and will be borne by the Company.

8. Documents available for inspection

Copies of the following documents will be available for inspection at the registered office of Edgars as well as at the offices of ICF during normal business hours on any business day up to and including the date of the EGM:

- The Memorandum and Articles of Association of Edgars;
- The audited financial statements of Edgars for the 52 weeks ended 8 January 2014, 53 weeks ended 10 January 2015, 52 weeks 9 January 2016, 52 weeks 8 January 2017 and 52 weeks 7 January 2018;
- The Independent Accountants Report on the historical financial information of Edgars set out in Part 2 Appendices;
- The Independent Reporting Accountants Reports on the Proforma financial information on Edgars set out in Part 2 Appendices;
- The Fairness Opinion by the Independent Financial Advisor as set out in Part 2 Appendices;
- The Edcon and Edgars Franchise Agreement;
- The Deed of Assignment between Edgars and Edcon; and
- Signed letters of consent from all advisors.

9. Directors' responsibility statement and voting recommendation

The Directors, whose names appear below, collectively and individually accept full responsibility for the accuracy of the information given herein, and certify that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement false or misleading, and that they have made all reasonable enquiries to ascertain such facts.

The Directors believe the Proposed Transaction to be in the best interest of Edgars and its shareholders. The Directors are not aware of any information that would lead them to believe that the Proposed Transaction is part of a takeover bid.

The Directors of Edgars whose names are given below collectively and individually accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no other facts the omission of which would make any statement false or misleading, that they have made all reasonable enquiries to ascertain such facts and (if applicable) that the Circular contains all information required by law.

Signed on the original document at Harare this Friday 21 December 2018 by the Directors:

Name	Position	Signed on original document
Mr. Thembinkosi Sibanda	Non-Executive Chairman	
Mr. Canaan Dube	Non-Executive Director	
Mr. Raymond Mlotshwa	Non-Executive Director	
Dr. Leonard Tsumba	Non-Executive Director	
Mr. Grant Pattison	Non-Executive Director	
Mrs. Linda Masterson	Group Managing Director	
Mr. Blair Galloway	Group Finance Director	
Mr. Vusumuzi Mpofu	Jet Chain Director	
Ms. Tjeludo Ndlovu	Edgars Chain Director	

Yours faithfully

T.N. Sibanda

Chairman of the Board of Directors

PART 2: APPENDICES TO THE CIRCULAR TO SHAREHOLDERS



**Chartered Accountants
(Zimbabwe)**
Derry House
Cnr 6th Avenue/ Fife Street
PO Box 437
Bulawayo

Tel: +263 9 76111
Fax: +263 9 72359
ey.com

21 December 2018

The Directors
Edgars Stores Limited
Corner 9th Avenue/
Herbert Chitepo Street
Bulawayo
Zimbabwe

Dear Sirs,

**REPORTING ACCOUNTANTS' REPORT ON THE UNAUDITED PROFORMA FINANCIAL
INFORMATION OF EDGARS STORES LIMITED**

(A public company incorporated in the Republic of Zimbabwe under company registration number 379/1948)

1. Introduction

The Directors of Edgars Stores Limited ("Edgars") are proposing:

the acquisition of the Edgars and Jet Brands for the territory of Zimbabwe from Edcon Limited and the issue of 15,000,000 Edgars shares to Edcon Limited as consideration to settle the purchase price of US\$1,500,000.

The Directors are responsible for the preparation of the circular to which this report relates and the information contained therein. This report is prepared in terms of the Listing Requirements of the Zimbabwe Stock Exchange for the purpose of inclusion in the Circular to Shareholders dated 21 December 2018.

2. Responsibility

The Directors are solely responsible for the preparation of the unaudited proforma information to which this independent reporting accountants' report relates. They are also responsible for the preparation of the information from which the unaudited financial information has been prepared. Our responsibility as independent reporting accountants is to form an opinion on the basis used to compile the unaudited proforma financial information. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited proforma financial information beyond that owed to those to whom those reports were addressed at their dates of issue.

3. Scope

Our work consisted primarily of reviewing the proforma financial information, considering the evidence supporting the adjustments and discussing the proforma financial information with directors. We were not involved in the independent examination of the underlying information.

The scope of our work included the following procedures:

- Agreed Edgars' statement of financial position as at 8 July 2018 to the published interim financial statements;
- Reviewed the proforma journals; and
- Agreed the arithmetic accuracy of the overall sub-totals and totals contained in the proforma statement of financial position.

Major Assumptions

The proforma statement of financial positions has been prepared assuming that:

- the proposed issue of shares to Edcon Limited in acquisition of the rights to the Edgars and Jet brands in Zimbabwe occurred on 8 July 2018;
- 15,000,000 Edgars shares were issued at US\$0.10 each to Edcon Limited as consideration to settle the purchase price of US\$1,500,000;
- that the effect of the issue of shares to Edcon Limited has been shown at the carrying value in the books of Edgars Stores Limited; and
- the exact accounting effect of the transactions will be shown in the next audited financial statements of Edgars Stores Limited.

From our enquiries of Edgars management, we understand that there have been no material subsequent events arising which have, or that could reasonably be expected to have a material impact on the statement of financial position as at 8 July 2018.

4. Unaudited Proforma Financial Information

The proforma financial information has been prepared for illustrative purposes only to provide information demonstrating how the transaction would have impacted on the financial position of Edgars had the Proposed Transaction been undertaken on the 8th of July 2018. Because of its nature, the unaudited proforma financial information may not give a fair reflection of Edgars' financial position going forward.

In our opinion the adjustments are appropriate for purposes of the proforma financial information and consistent with Edgars' accounting policies.

5. Distribution and Assurances

This report is prepared solely for the Directors of Edgars. Any uses that a third party makes of this report, or any reliance or decisions made based on it, are the responsibility of such third parties. We accept no responsibility for loss or damages, if any, suffered by any third party as a result of decisions made or actions taken based on this report.

Because the procedures conducted by us do not constitute either an audit or a review performed in accordance with statements of International Standards on Auditing, we do not express assurance on the fair presentation of the proforma financial information. Had we conducted additional procedures, or had we performed an audit in accordance with the International Standards on Auditing, other matters might have come to our attention that would have been reported to you.

Yours faithfully,

ERNST & YOUNG
Chartered Accountants (Zimbabwe)
Registered Public Auditor



**Chartered Accountants
(Zimbabwe)**
Derry House
Cnr 6th Avenue/ Fife Street
PO Box 437
Bulawayo

Tel: +263 9 76111
Fax: +263 9 72359
ey.com

21 December 2018

The Directors
Edgars Stores Limited
Corner 9th Avenue/
Herbert Chitepo Street
Bulawayo

Dear Sirs,

**REPORTING ACCOUNTANTS' REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF
EDGARS STORES LIMITED ("EDGARS" OR "THE COMPANY")**

(A public company incorporated in the Republic of Zimbabwe under company registration number 379/1948)

1. Introduction

The Directors of Edgars Stores Limited ("Edgars" or "the Group") are proposing:

the acquisition of the Edgars and Jet Brands for the territory of Zimbabwe from Edcon Limited and the issue of 15,000,000 Edgars shares to Edcon Limited as consideration to settle the purchase price of US\$1,500,000.

The Directors are responsible for the preparation of the circular to which this report relates and the information contained therein. This report is prepared in terms of the Listing Requirements of the Zimbabwe Stock Exchange for the purpose of inclusion in the Circular to Shareholders dated 21 December 2018.

2. Scope of audited annual financial statements

We audited the historical financial information for the years ended 8 January 2014 to 7 January 2018 for Edgars.

We conducted our audits and in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform that audit to obtain reasonable assurance whether the historical financial information relating to the financial years ended 8 January 2014 to 7 January 2018 are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

3. Prior year audited financial statements

We are the auditors of Edgars and have reported on its annual financial statements for the years ended: 8 January 2014, 10 January 2015, 9 January 2016, 8 January 2017 and 7 January 2018. Our audit reports for these financial periods were issued without qualification.

4. Unaudited Half Year Results

4.1 Scope of Review

The financial information for the half year ended 8 July 2018 has not been audited in accordance with International Standards on Auditing. We conducted a review of the financial information in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

4.2 Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements do not present fairly, in all material respects, the financial position of the entity as at 8 July 2018, and of its financial performance and its cash flows for the six-month period then ended in accordance with International Accounting Standard (IAS) 34 - Interim Financial Reporting and in the manner required by the Companies Act (Chapter 24:03).

5. Scope

As the purpose of the appended financial information differs from the purpose of the financial statements prepared for members, the appended financial information is not intended to comply with the full presentation and disclosure requirements of the Companies Act (Chapter 24:03) and International Financial Reporting Standards. Our reporting shall not in any way constitute recommendations regarding the completion of the Transactions or the issue of the Circular to the Shareholders.

6. Exclusion of Notes and Accounting Policies

At the request of the Company, and with the approval of the ZSE, the notes to the financial statements, and the accounting policies have been excluded from this Circular, but are available for inspection in the Annual Reports as set as out in Part 1, section 7 of this Circular.

7. Distribution and Assurances

This report is prepared solely for the Directors of Edgars. Any uses that a third party makes of this report, or any reliance or decisions made based on it, are the responsibility of such third parties. We accept no responsibility for loss or damages, if any, suffered by any third party as a result of decisions made or actions taken based on this report.

Yours faithfully,

ERNST & YOUNG

Chartered Accountants (Zimbabwe)



21 December 2018

The Board of Directors
Edgars Stores Limited
Corner 9th Avenue and Herbert Chitepo Street
P O Box 894
Bulawayo

Dear Directors

Fair and Reasonable opinion on the proposed acquisition by Edgars Stores Limited of the intellectual property rights to trademarks and brands assigned to Edgars Stores Limited by Edcon Limited for the territory of Zimbabwe from Edcon Limited.

1. Introduction

In an offer letter dated 8 August 2018, Edgars Stores Limited (“Edgars”) made an offer to Edcon Limited (“Edcon”) to acquire the intellectual property rights to trademarks and brands assigned to Edgars for the territory of Zimbabwe from Edcon for a purchase consideration of US\$1.5 million. The purchase consideration will be settled by issuing 15 million ordinary shares of Edgars to Edcon (“the Proposed Transaction”).

PricewaterhouseCoopers Business Services (Private) Limited (“PwC”) was appointed by the board of Edgars Stores Limited (“the Board”) as independent financial advisor to provide the Board with its opinion as to whether the terms of the Proposed Transaction are fair and reasonable as far as the ordinary shareholders of Edgars are concerned. The terms and conditions of the Proposed Transaction are detailed in the Circular to shareholders, of which this opinion is a part. Words and phrases used in the letter shall have the same meaning as ascribed to them in the Circular. In arriving at our opinion, we considered, inter alia, the background against which the Proposed Transaction is being made and the current macro-economic environment in which Edgars operates.

Our engagement did not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements. Accordingly, we do not express an audit opinion on the information contained in the Circular to the shareholders.

2. Summary of proposed transaction

Edgars Stores Limited has been trading under the Edgars and Jet brands (“the Brands”) owned by Edcon Limited under a franchise agreement. Edgars offered to purchase the intellectual property rights to trademarks and brands assigned to Edgars by Edcon for the territory of Zimbabwe from Edcon. Upon acquisition of the intellectual property rights to the trademarks and brands, Edcon will be entitled to receive 15 million ordinary shares of Edgars Stores Limited with a subscription price of US\$0.10 per share at the relevant record date, resulting in Edcon shareholding in Edgars increasing from 38.1% to 41.1%.

*PricewaterhouseCoopers Business Services (Private) Limited,
Building No. 4, Arundel Office Park, Norfolk Road, Mount Pleasant, P O Box 453, Harare, Zimbabwe
T: +263 (4) 338362-8, F: +263 (4) 338395, www.pwc.com*

Directors: T I Rwodzi, P C Mithal, S G Msindo, C K Mukondiwa, K S Wood, E T Ravasingadi, E Antonio



3. Scope

In accordance with our engagement letter dated 6 September 2018, we performed the following:

- a review and analysis of all financial information and documents forwarded to us;
- a review and analysis of royalty payments for the Edgars and Jet brands to Edcon;
- a review of the terms and conditions of the Proposed Transaction;
- a review of historical and projected statements of profit or loss and other consolidated income, statements of financial position and statements of cash flow;
- interviews and where necessary, correspondence with management and the Directors;
- a review of analyst reports on the clothing retail industry;
- analysis of trading history of Edgars ordinary shares on the Zimbabwe Stock Exchange ("ZSE") up to 14 December 2018;
- estimation of appropriate valuation discounts or premiums (e.g., marketability and controlling or minority interest) to apply to the results of our valuation analysis; and
- independently valuing the Edgars and Jet brands and the ordinary shares of Edgars.

4. Restrictions

The scope of our work is limited to matters set out in the letter.

Forecasts relate to uncertain future events and are based on assumptions, which may not remain valid for the whole of the forecast period. Consequently, forecasted financial information cannot be relied upon to the same extent as that derived from audited financial statements for completed accounting periods. We express no opinion as to how closely actual results will correspond to the financial projections provided to us.

Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on the Proposed Transaction.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose or to be distributed to any other parties. This report relates only to the accounts and items specified above and does not extend to any financial statements of Edgars.

5. Definition of fair and reasonable for our opinion

A transaction will generally be considered fair and reasonable to a company's shareholders if the benefits received by the shareholders, as a result of the transaction, are equal to or greater than the value surrendered by the shareholders. The assessment of fairness is primarily based on quantitative issues.

In respect of Edgars ordinary shareholders, the Proposed Transaction would be considered fair and reasonable to the ordinary shareholders of Edgars if the market value of the ordinary shares of Edgars issued to Edcon is less than or equal to the value of the Brands acquired.

The assessment of reasonableness is generally based on qualitative considerations surrounding the transaction. Hence, even though the quantifiable benefits received by Edgars shareholders may be less than the value that they surrender, the entire Proposed Transaction may still be reasonable in certain circumstances after considering other significant qualitative factors.



6. Sources of information

In order for us to arrive at our opinion of fair and reasonable on the Proposed Transaction, we relied upon financial and other information, including prospective financial information, obtained from Edgars management (“Management”) and from various public, financial, and industry sources. Our conclusion is dependent on such information being complete and accurate in all material respects.

The principal sources of information used in performing our valuation include:

- Edgars offer letter to Edcon;
- Edgars Stores Limited audited consolidated financial statements for the past five years;
- Management accounts for the period ended June 30, 2018;
- Forecasted financial information for the five years from 2018 to 2022;
- The franchise agreement between Edcon Limited and Edgars Stores Limited;
- Edgars Stores Limited Board packs;
- Zimbabwe Stock Exchange Listing Requirements;
- Deed of Assignment Agreement between Edcon and Edgars;
- Circular to Edgars shareholders; and
- For our macroeconomic research we used the following sources:
 - Fitch Solutions, Dun & Bradstreet, Oxford Economics
 - CapitalIQ for financial data on comparable companies; and
 - PwC Valuation Methodology Survey, 2016/2017 Edition.

Where practicable, we have corroborated the reasonableness of the information provided to us for the purpose of supporting our opinion, whether in writing or obtained through discussions with Management.

Our procedures and enquiries did not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements.

Accordingly, we do not express any assurance on the financial data or other information used in arriving at our opinion.

7. Procedures performed

We performed the following procedures to arrive at our opinion:

Key quantitative considerations

In considering the fair value of the Edgars and Jet brands and Edgars ordinary shares, we performed an independent valuation of the Brands and the ordinary shares of Edgars.

For the purposes of our valuation we used the relief from royalty approach to value the Brands and the income approach (discounted cash flow) valuation of the ordinary shares of Edgars as our primary approach. In addition, we considered the market approach (based on financial data for comparable publicly traded companies) as an alternative valuation approach to support the results of our income approach analysis. We also reviewed the trading history of Edgars ordinary shares on the ZSE.

The key valuation assumptions considered in our income approach included forecasted growth rates, cost of capital rates, perpetuity growth rates, forecasted profitability margins, and analyst forecasts pertaining to the outlook for the retail industry.

Key qualitative considerations

We considered the rationale for the Proposed Transaction based on discussions with Management and Directors of Edgars and their advisors to the Proposed Transaction.



8. Opinion

Based on the above considerations, along with the information made available to us by the Edgars management, for which they are solely responsible, and after due consideration of the details of the Proposed Transaction, we report that the acquisition of the Edgars and Jet brands and issuance of 15 million Edgars ordinary shares to Edcon are fair and reasonable to the ordinary shareholders of Edgars. Our opinion is based upon the market, regulatory and trading conditions as they currently exist and can only be evaluated as at the date of this letter. It should be understood that subsequent developments may affect our opinion, which we are under no obligation to update, revise or re-affirm.

9. Independence

PricewaterhouseCoopers Business Services (Private) Limited has no interest, direct or indirect in Edgars or any of its subsidiaries or associated companies, save for professional fees for services rendered in connection with the Proposed Transaction. Furthermore, we confirm that our professional fees are not contingent upon the successful conclusion of the Proposed Transaction.

10. Consent

We hereby consent to the inclusion of our independent financial advisor report in any required regulatory announcement or documentation.

Yours faithfully

Clive K Mukondiwa
Director for and behalf of
PricewaterhouseCoopers Business Services (Private) Limited

**PART 3: NOTICE OF THE EXTRAORDINARY GENERAL MEETING OF THE
MEMBERS OF EDGARS STORES LIMITED**



(A public company incorporated in the Republic of Zimbabwe under company registration number 379/1948)

Directors: Mr. T. N. Sibanda, Mr. C. Dube, Dr. L.L. Tumba, Mr. R. Mlotshwa, Mr. G. Pattison
Mrs. L. Masterson, Mr. V. Mpofu, Ms. T. Ndlovu and Mr. J. B. Galloway

Address: Edgars Head Office, Corner Ninth Avenue and Herbert Chitepo Street, Bulawayo

Notice is hereby given that an Extraordinary General Meeting ("EGM") of the members of the Company will be held at 10:00 hours on Wednesday 16 January 2019, at the Edgars Training Auditorium, 1st Floor, LAPF House, 8th Avenue and Jason Moyo Street, Bulawayo to consider and, if thought fit, to adopt, with or without amendment, the following Resolutions:

RESOLUTION 1 - ORDINARY RESOLUTION:

To consider and, if thought fit, to pass, with or without amendment (s), the following as an Ordinary Resolution:

THAT, the Company is hereby authorised to acquire the intellectual property rights to trademarks and brands assigned to Edgars by Edcon for the territory of Zimbabwe from Edcon for a consideration of US\$1,500,000 to be settled through the issue of 15,000,000 Edgars shares to Bellfield Limited, a company that holds Edcon's shares in Edgars.

RESOLUTION 2 - ORDINARY RESOLUTION:

To consider and, if thought fit, to pass, with or without amendment (s), the following as an Ordinary Resolution:

THAT, the Directors of the Company (or any duly authorised committee thereof) be, and are, hereby authorised to do all such things that they may consider necessary or desirable to give effect to, or pursuant to, or in connection with, the Proposed Transaction.

This notice and an accompanying proxy form have been posted to Edgars Stores Limited Shareholders. The proxy form should be delivered to, and received by the transfer secretaries of Corpserve (Private) Limited at 2nd Floor, ZB Centre, Corner Kwame Nkrumah Avenue and 1st Street, Harare or the registered offices of the Company being, Edgars Head Office, Corner Ninth Avenue and Herbert Chitepo Street, Bulawayo so that it is received by the Share Transfer Secretaries no later than 16:00 hours on Monday 14 January 2019.

Additional copies of the Circular and the Proxy Form are available for collection during normal business hours at Imara Corporate Finance Zimbabwe and Imara Edwards Securities, Block 2 Tendeseka Office Park, Samora Machel Avenue East, Harare.

Note: A proxy form is enclosed. To be valid it should be completed and returned so as to reach the registered office of the company not less than 48 hours before the time fixed for the meeting. Completion of a proxy form does not preclude a member from subsequently attending and voting in person.

By order of the Board of Directors

**Company Secretary
Registered office**

Edgars Stores Limited
Corner Ninth Avenue and Herbert Chitepo
Bulawayo, Zimbabwe
(P.O. Box 894, Bulawayo)

**Share transfer Secretaries
Registered office**

Corpserve (Private) Limited
2nd Floor ZB Centre, Corner Kwame Nkrumah Avenue and 1st Street
Harare, Zimbabwe
(P.O. Box 2208, Harare)



(A public company incorporated in the Republic of Zimbabwe under company registration number 379/1948)

Directors: Mr. T. N. Sibanda, Mr. C. Dube, Dr. L.L. Tumba, Mr. R. Mlotshwa, Mr. G. Pattison
Mrs. L. Masterson, Mr. V. Mpofu, Ms. T. Ndlovu and Mr. J. B. Galloway

Address: Edgars Head Office, Corner Ninth Avenue and Herbert Chitepo Street, Bulawayo

FORM OF PROXY

For use by the Company's shareholders at the extraordinary general meeting of shareholders to be held at 10:00 hours on Wednesday 16 January 2019 at the Edgars Training Auditorium, 1st Floor, LAPF House, 8th Avenue and Jason Moyo Street, Bulawayo.

Each member entitled to attend and vote at the EGM is entitled to appoint one person as his proxy, who need not be a member of the Company, to attend, speak and vote in his/her stead at the EGM.

I/We _____
(Name in block letters)

Of _____

Being the holder of _____ shares in the Company hereby appoint

1. _____ of _____ or failing him/her

2. _____ of _____ or failing him/her

3. The Chairman of the EGM

As my/our proxy to act for me/us at the EGM for the purpose of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat, and at each adjournment or postponement thereof, and to vote for and/or against the resolutions and/or abstain from voting in respect of the shares in the issued share capital of the Company registered in my/our name (see note 2) in accordance with the following instructions:

RESOLUTIONS		Number of Votes		
		For	Against	Abstain
1	THAT, the Company is hereby authorised to acquire the intellectual property rights to trademarks and brands assigned to Edgars by Edcon for the territory of Zimbabwe from Edcon for a consideration of US\$1,500,000 to be settled through the issue of 15,000,000 Edgars shares.			
2	THAT, the Directors of the Company (or any duly authorised committee thereof) be, and are, hereby authorised to do all such things that they may consider necessary or desirable to give effect to, or pursuant to, or in connection with, the Proposed Transaction.			

Every person present and entitled to vote at the EGM shall, on a show of hands, have one vote only, but in the event of a poll, every share shall have one vote.

Signed at _____ on _____ 2018/2019

Signature(s) _____

Assisted by me _____

Full name(s) of signatory/ies if signing in a representative capacity (see note 2)(please use block letters).

NOTES TO THE FORM OF PROXY

INSTRUCTIONS FOR SIGNING AND LODGING THIS FORM OF PROXY

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space provided, with or without deleting "the Chairman of the EGM", but any such deletion must be initialed by the shareholder. The person whose name appears first on the form of proxy will, unless his/her name has been deleted, be entitled to act as proxy to the exclusion of those whose names follow.
2. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate space/s provided as well as by means of a cross whether the shareholder wishes to vote, for, against or abstain from the resolutions. Failure to comply with the above will be deemed to authorise the proxy to vote or abstain from voting at the EGM as he/she deems fit in respect of all the shareholder's votes exercisable thereat. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or by his/her proxy, or cast them in the same way.
3. A deletion of any printed matter and the completion of any blank spaces need not be signed or initialed. Any alteration or correction must be initialed by the signatory/ies.
4. The Chairman shall be entitled to decline to accept the authority of a person signing the proxy form:
 - i. under a power of attorney
 - ii. on behalf of a companyunless that person's power of attorney or authority is deposited at the offices of the Company's transfer secretaries, or the registered office of the Company, not less than 48 hours before the meeting.
5. If two or more proxies attend the meeting then that person attending the meeting whose name appears first on the proxy form and whose name is not deleted, shall be regarded as the validly appointed proxy.
6. When there are joint holders of shares, any one holder may sign the form of proxy. In the case of joint holders, the senior who tenders a vote will be accepted to the exclusion of other joint holders. Seniority will be determined by the order in which names stand in the register of members.
7. The completion and lodging of this form of proxy will not preclude the member who grants this proxy form from attending the EGM and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof should such member wish to do so.
8. In order to be effective, completed proxy forms must reach the Company's transfer secretaries or the registered office of the Company not less than 48 hours before the time appointed for the holding of the EGM.
9. Please ensure that name(s) of the member(s) on the form of proxy and the voting form are exactly the same as those on the share register.
10. Please be advised that the number of votes a member is entitled to be determined by the number of shares recorded on the share register 48 hours before the time appointed for the holding of the meeting.