



EDGARS STORES LIMITED

(Incorporated in Zimbabwe in 1948, under Company Registration Number 379/1948)

Directors: T. N. Sibanda (Chairman), C. F. Dube, Dr. L. L. Tumba, R. Mlotshwa, L. Masterson (CEO), B. Mpofu (CFO), V. Mpofu, T. N. Ndlovu, M. Hosack.

Registered Address: Cnr 9th Avenue & Herber Chitepo, Bulawayo, Zimbabwe.

ABRIDGED CIRCULAR TO SHAREHOLDERS

2. THE PROPOSED TRANSACTION

The Board is proposing a Renounceable Rights Offer to recapitalize Edgars by way of a rights offer of 274,745,630 (Two hundred and seventy-four million, seven hundred and forty five thousand, six hundred and thirty) ordinary shares of a nominal value of ZWL\$0.01 (1 ZWL Cent) each, at a Rights Offer price of ZWL\$0.2548 (25.48 ZWL Cents) per share, on the basis of five (5) new ordinary shares for every six (6) ordinary shares in issue as at the Record Date. The Rights Offer shares represent 45.66% of the Company's enlarged ordinary share capital post the proposed Rights Offer.

3. RATIONALE FOR THE TRANSACTION

In order to maintain the sustainable growth and profitability of the businesses going forward, the Board has decided to raise and inject additional capital into the business so as to:

- Intensify productivity of existing footprint;
- Widen and deepen product portfolio offered by the Group's credit and financial services;
- Ensure sufficient depth and breadth of inventories;
- Productivity improvements through digitization leveraging on
 - Data science & analytics for customer retention and increased market share;
 - Introduction of online shopping;
 - Customer facing digital interactive platforms; and
 - Enhanced planning tools and manufacturing capacity
- Refurbishment initiatives at stores; and
- Extend geographical footprint through the commissioning of new sites.

4. APPLICATION OF FUNDS RAISED THROUGH THE RENOUNCEABLE RIGHTS OFFER

Set out below is a breakdown of the application of the funds expected to be raised through the proposed Renounceable Rights Offer.

	ZWL
Gross proceeds of the Renounceable Rights Offer	\$70,000,000
Estimated expenses of the Renounceable Rights Offer	\$3,690,000
Net proceeds of the Renounceable Rights Offer	\$66,310,000
Application of Funds by Shareholders:	
Working capital and capital expenditure	\$66,310,000
Total	\$66,310,000

5. CONDITIONS PRECEDENT

The Renounceable Rights Offer contemplated herein is subject to the following Conditions Precedent:

- Approval by the members of Edgars of the Resolutions at the EGM to be held on Tuesday, 16 June, in terms of the EGM notice set out in this Circular;
- Approval of the Transaction by the Exchange Control department at the Reserve Bank of Zimbabwe for the issuance of shares to non-resident shareholders.

6. CONSEQUENCES OF NOT IMPLEMENTING THE RENOUNCEABLE RIGHTS OFFER

If the Renounceable Rights Offer is not implemented as outlined in this Circular, Edgars will be unable to effectively compete in the market. The company will face significant capital expenditure constraints, high finance costs and unmet working capital requirements, in detail:

- The Company will be limited in capacity to write new business under Edgars Financial Services;
- The company will continue to experience operating inefficiencies from inefficient and unproductive methods; and
- The Company will continue to have higher than desired leverage, which will negatively affect its profitability.

7. PROFORMAS

ZWL\$	52 Weeks ended 6-Jan-20 Inflation Adjusted Audited		52 Weeks ended 6-Jan-20 Proforma	
	Note 1	Note 2	Note 3	Note 4
Assets				
Non-current assets				
Property, plant and equipment	110,682,408	-	-	110,682,408
Right of use asset	20,369,062	-	-	20,369,062
Intangible assets	14,409,890	-	-	14,409,890
Total non-current assets	145,461,360	-	-	145,461,360
Current assets				
Inventories	300,834,650	-	-	300,834,650
Trade and other receivables	117,932,121	-	-	117,932,121
Loans and advances to customers	6,455,962	-	-	6,455,962
Income tax receivable	186,714	-	-	186,714
Cash and cash equivalents	8,881,604	70,005,187	(2,622,050)	76,264,741
Total current assets	434,291,051	70,005,187	(2,622,050)	501,674,189
Total assets	579,752,411	70,005,187	(2,622,050)	647,135,549
Equity and liabilities				
Equity				
Issued capital	-	-	-	-
share premium	18,321,551	67,257,730	1,540,088	87,119,369
share capital	171,634	2,747,456	62,912	2,982,002
Other reserves	45,445,101	-	-	45,445,101
Retained earnings	231,447,074	-	(3,690,000)	227,757,074
Total capital and reserves	295,385,360	70,005,186	(2,087,000)	363,303,547
Non-current liabilities				
Deferred tax liabilities	69,144,305	-	-	69,144,305
Long term portion of interest bearing loans and borrowings	24,244,255	-	-	24,244,255
Lease liabilities	10,020,155	-	-	10,020,155
Total non-current liabilities	103,408,715	-	-	103,408,716
Current liabilities				
Trade and other payables	128,350,445	-	(535,050)	127,815,395
Dividend payable	370,057	-	-	370,057
Current tax liabilities	4,631,621	-	-	4,631,621
Contract liabilities	638,400	-	-	638,400
Interest bearing loans and borrowings	35,609,703	-	-	35,609,703
Lease liabilities	11,358,110	-	-	11,358,110
Total current liabilities	180,958,336	-	(535,050)	180,423,285
Total liabilities	284,367,051	-	(535,050)	283,832,001
Total equity and liabilities	579,752,411	70,005,186	(2,622,050)	647,135,548

8. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents or copies thereof will be available for inspection by Edgars Shareholders at the registered office of Edgars, Corner 9th Avenue and Herbert Chitepo Street, Bulawayo and at the office of Transfer Secretaries during normal business hours for the duration of the Renounceable Rights Offer:

- The Memorandum and Articles of Association of Edgars;
- The Audited Financial Statements of Edgars as at 52 weeks to the 6th of January 2020 and Audited Financials for the periods 2017 to 2019;
- The written experts' consents referred to in Paragraph B.18 of this Circular;
- The Underwriting Agreement;
- The Underwriter's comfort letter;
- The original signed copy of this Circular to Shareholders; and
- The full Reporting Accountant's Report.

9. CORPORATE GOVERNANCE

9.1 Board of Directors

The Board of Directors consists of a Non-Executive Chairman, four Executive Directors and four Non-Executive directors. The Chairpersons of the various committees are all Non-Executive Directors. The Board meets regularly to review financial results, dictate policy, formulate overall strategy and approve the budgets. They have introduced structures of corporate governance in terms of which certain functions and responsibilities have been delegated to the board committees indicated below. Their terms of reference and composition are regularly reviewed. The Board meetings are held quarterly. The Board is supported by various Committees in executing its responsibilities. The main Committees meet four times a year to assess, review and provide guidance to management on both operational and policy issues.

9.2 Audit and Risk Committee

The Audit and Risk Committee liaises with the Group's external auditors. The external auditors have unrestricted access to the audit committee. The annual, half yearly statements and financial reporting matters are reviewed by the committee at appropriate intervals. The Audit and Risk Committee meets 3 times per year.

9.3 Executive Committee

The Executive Committee sits between board meetings to deliberate and consider detailed operational issues of the Group which includes strategy implementation. The Executive Committee meets on a monthly basis.

9.4 Remuneration and Nominations Committee

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

10. Important dates and times

Circular posted to Edgars Shareholders & Notice of EGM Published	Tuesday, 26 May 2020
Register Closes for voting at EGM at 1600 hours	Friday, 12 June 2020
Edgars share register re-opens	Monday, 15 June 2020
EGM of Edgars Shareholders at 1200 hours	Tuesday, 16 June 2020
Announcement & publication of EGM results	Wednesday, 17 June 2020
Last day to register for the Rights Offer	Friday, 19 June 2020
Mailing of Letters of Allocation to Shareholders	Tuesday, 23 June 2020
Rights Offer opens at 0900 hours	Tuesday, 23 June 2020
Last day of dealing in letters of allocation at 1200 hours	Thursday, 09 July 2020
Latest time for splitting letters of allocation at 1200 hours	Thursday, 09 July 2020
Last day of receiving postal letters	Friday, 17 July 2020
Rights Offer closes at 1600 hours	Friday, 17 July 2020
Allocation of Rights Offer Shares	Wednesday, 22 July 2020
Results of Rights Offer published and listing of Rights Offer Shares	Friday, 24 July 2020
Rights Offer share certificates mailed	Friday, 24 July 2020
New shares listed	Monday, 27 July 2020

16. NOTICE OF EGM

NOTICE OF EXTRAORDINARY GENERAL MEETING ("EGM")

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting ("EGM") of the Members of Edgars Stores Limited ("Edgars" or "the Company") will be held at LAPP 1st Floor, Corner 8th Avenue and Jason Moyo Street in Bulawayo on Tuesday, 16 June at 1200 hours for the purpose of transacting the following business and consider and if deemed fit, to pass with or without amendment, the following resolutions. Shareholders are advised in light of the current regulations which prohibit gatherings in excess of 50 people and promote social distancing on account of the COVID-19 pandemic ("the Company") will endeavour to facilitate a virtual meeting the modalities of which will be communicated to shareholders in due course.

SPECIAL BUSINESS

1. As a Special Resolution – Redenomination of share capital to ZWL\$

That, subject to the approval of the Chief Registrar of Companies and Other Business Entities, the authorized share capital of the Company be redenominated from US\$4 000 000 comprising 400 000 000 ordinary shares of a nominal value of US\$0.01 (one US cent) each, to ZWL4 000 000 comprising 400 000 000 ordinary shares of a nominal value of ZWL0.01 (one Zimbabwe cent) each.

2. As a Special Resolution - Increase in the authorised share capital of the Company

That, subject to the approval of the Chief Registrar of Companies and Other Business Entities, the authorised share capital of the Company be increased from ZWL\$4,000,000 comprising of 400,000,000 ordinary shares of a nominal value ZWL\$0.01 (one Zimbabwe cent) each, to ZWL\$7,000,000 comprising of 700,000,000 ordinary shares of a nominal value ZWL\$0.01 (one Zimbabwe cent) each."

3. As an Ordinary Resolution – Approval for capital raising by way of a Renounceable Rights Offer

That the Directors be and are hereby authorised to raise ZWL\$70,000,000 (Seventy Million Zimbabwe Dollars) by way of a Renounceable Rights Offer to all shareholders, pro rata to their existing shareholding, being the offer of 274,745,630 (two hundred and seventy four million, seven hundred and forty five thousand, six hundred and thirty) new ordinary shares of a nominal value of ZWL0.01 (one Zimbabwe cent) each, at a Rights Offer subscription price of ZWL\$0.2548 (ZWL\$25.48cents) per share, on the basis of five (5) new ordinary shares for every six (6) ordinary shares held."

4. As an ordinary resolution – Approval for the Underwriter's fees to be payable in shares

"That the shareholders waive their rights of pre-emption and the Underwriter may at its discretion exercise an option to receive payment of its fees by way of issue of shares at the rights offer price."

5. As an Ordinary Resolution – To place unissued shares under the control of Directors

"That, the balance of the authorised but unissued ordinary shares of the Company, be placed under the control of the Directors for an indefinite period, to be issued in compliance with the terms of the Memorandum and Articles of the Company and the Zimbabwe Stock Exchange listing requirements, provided that no issue will be made which would effectively transfer the control of the Company without the prior approval of the Shareholders in a general meeting."

By order of the Board

Vuyo K. Nxumalo
COMPANY SECRETARY

REGISTERED OFFICE

Edgars Head Office,
Cnr 9th Avenue and Herbert Chitepo Street
Bulawayo.

Notes:

- Voting eligibility**
 - On a show of hands, every Shareholder who (being an individual) is present in person or by proxy at the EGM or which (being a company or body corporate) is represented thereat by a representative appointed as proxy, shall have one vote (irrespective of the number of shares held), and on a poll, every Shareholder who (being an individual) is present in person or by proxy at the general meeting or which (being a company or body corporate) is represented by proxy at the general meeting, shall have one vote for every Edgars Stores Limited share of which it is the holder.
- Appointment of Proxies**
 - In terms of Section 171 of the Companies and Other Business Entities Act (Chapter 24:31), members entitled to attend the above meeting may appoint one or more proxies, to act in the alternative, to attend, speak and vote on their behalf, including voting on a poll. A proxy need not be a member of the Company.
 - Shareholders in the form of a corporate body must provide documentary evidence establishing the authority of a person signing the Form of Proxy in a representative capacity, unless previously recorded by the Company's transfer secretaries or waived by the chairperson of the EGM. This authority must take the form of a resolution of the corporate body.
 - Completion of a form of proxy does not preclude a person from subsequently attending the EGM and voting in person.
 - Waiver of Pre-emptive rights.
 - In terms of clause 10.79 (a) of the Tenth Schedule to SI 134 of 2019 of ZSE Listing Requirements, resolutions 3, 4 and 5 will be subject to a 75% (seventy-five per centum) majority of votes cast in favour of the resolution by Shareholders present or represented by proxy.

Directors: T. N. Sibanda (Chairman), L. Masterson (CEO), B. Mpofu (CFO), C. F. Dube, Dr. L. L. Tumba, R. Mlotshwa, V. Mpofu, T. N. Ndlovu, M. Hosack.

PROXY FORM FOR THE EXTRAORDINARY GENERAL MEETING

I / We
Of
Being member/members of the above Company, hereby appoint:
Mr. / Mrs. / Ms. / Dr.
Or failing him
Of
as my/our proxy to vote for me/us on my/our behalf at the Extraordinary General Meeting of the Company to be held on Tuesday,
16 June 2020 at 1200 hours and any adjournment thereof.

Signature Signed this of 2020

Note

- A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and speak in his stead. The person appointed need not be a member.
- Proxy forms should be lodged at the registered office of the Company by no later than 48 hours before the time of holding the meeting.
- Any alterations or corrections made to this form of proxy (including the deletion of alternatives) must be initialled by the signatory/signatories.
- Shareholders are requested to submit key questions in writing at least five days before the date of the meeting to enable comprehensive answers to be prepared. This will not preclude them from raising questions from the floor.

Physical and Postal Delivery

Edgars Stores Limited
Edgars Head Office
Corner 9th Avenue and Herbert Chitepo Street
Bulawayo
Zimbabwe