31 Spanner Road
Clayville
Olifantsfontein
1666

02 July 2025

CIRCULAR PUBLISHED IN THE BUSINESS RESCUE PROCEEDINGS OF DAYBREAK FOODS (PTY) LTD (UNDER BUSINESS RESCUE)

Introduction

1. The purpose of this circular is to address the labour issues faced by the Company.

2. The BRP deems it necessary to provide a summary of the events which have taken place since the Company was placed into business rescue on 12 June 2025, with emphasised on the labour issues and the possible solutions thereto.

Meeting Held On 19 June 2025

3. The BRP attended a meeting with employees and union officials on 19 June 2025. The purpose of this meeting was to address the issue surrounding the payment of the June salaries and the arrear pre-rescue payments due to third parties, such as the pension and provident fund administrators.

4. The BRP advised the meeting that the Company does not have sufficient funds to make payment of the June salaries at that stage.

5. The meeting was advised that the BRP and his team prepared a budget proposal to the shareholder and funder to deal with the payment of critical operational costs, including salaries.

31 Spanner Road
Clayville
Olifantsfontein
1666

6. It was advised that the BRP, at that stage, had not received a response from the shareholder and funder and undertook to advise employees as soon as a response was forthcoming.

7. The BRP further noted the concerns raised by the employees surrounding the pre-rescue arrears on the provident fund contributions.

8. Employees were advised that the BRP is addressing these issues as a matter of priority and is engaging with the fund administrators to find a solution to the non-payment.

9. Employees were further advised that they are unable to liquidate a portion of their contributions, whilst they remain employed with the Company. It was noted that the group scheme rules, in the ordinary course, provides for the liquidation of contributions to employees on the termination of their employment (either through resignation or retrenchment).

10. The meeting concluded with the BRP confirming that he would continue to engage the relevant stakeholders and report to employees once he has clarity.

First Meeting Of Employees Held On 24 June 2025

11. The first meeting of employees took place on 24 June 2025.

12. At this meeting, the BRP advised that the Company's initial filing for business rescue had been declared a nullity pursuant to a pending liquidation application which had been issued as far back as January 2025.

31 Spanner Road
Clayville
Olifantsfontein
1666

13. The Company subsequently resolved this issue and on 12 June 2025 it filed to commence business rescue proceedings with the CIPC. The BRP's appointment was confirmed on the same day.

14. In the first meeting of creditors, the BRP dealt with the issue surrounding the payment of the June salaries.

15. The employees and union officials were advised that, as at the date on which the first meeting of employees was held, there was still insufficient funds available to make payment of the June salaries to employees.

16. The BRP advised that he has been in constant engagement with the shareholder and funder in an effort to obtain clarity of the funding support that would be provided to the Company, as part of the stabilisation phase of the Company's business rescue proceedings.

17. The BRP emphasised that he is not in a position to provide any clarity on how and when the June salary payments would be made.

18. Employees were also engaged in relation to the payment of arrear fund contributions. They were advised that the BRP is aware of the arrears and that he will implement a strategy to deal with this issue as one of extreme urgency.

19. Furthermore, the employees were informed that the BRP and his team are considering strategies to recue the labour costs during the emergency phase of the Company's business rescue proceedings.

31 Spanner Road
Clayville
Olifantsfontein
1666

20. In addition the BRP confirmed that the Company had re-applied for UIF TERS assistance. Employees were advised that the negotiations surrounding possible TERS assistance were ongoing and that he awaits a formal response.

21. The BRP noted the plight of all employees and assured them that the business rescue team is working hard to find solutions to the problems which are faced by the Employees.

Circulars Dated 25 June 2025

22. On 25 June 2025, the BRP addressed two circulars to all affected parties. The circulars primarily dealt with the payment of the June salaries.

23. In the first circular, the BR advised all affected parties that the shareholder and funder required additional time to consider the proposal submitted by the BRP.

24. In the second circular, sent after further negotiations between the BRP and funder, affected partes were advised that the shareholder and funder requested an extension to 27 June 2025 to provide their formal response.

Circular Dated 27 June 2025

25. On 27 June 2025, the BRP addressed a further circular. In this circular, affected parties were advised that:

    25.1. The business rescue team conducted an urgent meeting with the board of the funder and shareholder to address the request for liquidity support for the emergency phase of the Company's business rescue proceedings

31 Spanner Road
Clayville
Olifantsfontein
1666

25.2. An initial emergency funding budget has been approved by the funder and shareholder.

25.3. Part of the funding which has been approved, has been earmarked for salary payments for the month of June 2025.

25.4. The BRP will convene a meeting with the unions and employees on Monday, 30 June 2025. The meeting will primarily be aimed at dealing with the manner in which the June salaries will be paid.

26. Whilst the funding had been approved, the BRP did not have clarity surrounding the date on which the funds would be received and subsequently disbursed to, *inter alia*, the employees.

Meeting Held On 30 June 2025

27. On 30 June 2025, the BRP held a meeting with employees and union officials.

28. At the said meeting, employees were advised that the BRP had received confirmation from the shareholder and funder that it would be providing funding to make payment of, *inter alia*, the June salaries.

29. The BRP advised that the funder and shareholder, *inter alia*, requested that a formal post-commencement funding agreement be prepared and signed prior to the disbursement of the funds.

30. We pause to mention that the BRP awaits receipt of the draft agreement and will consider same once received.

31 Spanner Road
Clayville
Olifantsfontein
1666

31. The BRP advised the meeting that the salaries would be paid on similar terms as per the May salary payments. More particularly, employees who rendered employment services during the course of June would be entitled to their full salaries, whilst employees who did not work would receive a minimum of 50% of their salaries.

32. The BRP advised the meeting that there is still uncertainty as to when the funds will be released and, as such, he cannot commit to a specific payment date.

33. The Employees were further engaged on the manner in which the BRP proposes to reduce the labour costs during the emergency phase of the Company's business rescue proceedings. More particularly, employees were advised that:

    33.1. The BRP intends to implement temporary lay-offs and is in the process of considering the number of employees that may be affected by this proposal, in conjunction with the Company's Human Resource Department.

    33.2. In order to mitigate the adverse effects of a temporary lay-off, the BRP noted the following measures:

        33.2.1. The BRP is negotiating a possible secondment of 1000 employees with an industry participant. These negotiations are at an advanced stage and the BRP should receive clarity on the number of employees that will be seconded in due course. The BRP noted that the selection criteria would be fair and in line with LIFO and the skills of the employees required to be seconded.

31 Spanner Road
Clayville
Olifantsfontein
1666

33.2.2. The provision of a monthly living allowance to employees who are not seconded, in order for these employees to sustain their livelihoods.

33.2.3. The possible assistance by UIF TERS to support employees who have been placed on temporary lay-off. The BRP emphasised that the Company has resubmitted its application and the BRP had numerous meetings with the relevant stakeholders. As at date of the meeting, however, the UIF is yet to provide a formal response to the application.

33.3. The employees and union official raised concerns over the non-payment of the pension and provident fund contributions.

33.4. The BRP confirmed that he is aware of the arrears on the payment of the contributions to the fund and reiterated what was said at the first meeting of employees in relation to this issue.

33.5. The BRP confirmed that no further deductions would be made from employee salaries, until the matter is resolved with the fund administrators.

Subsequent Developments

34. On 01 July 2025, the BRP and his team held an urgent meeting with the HR Department of the Company to deal with the issue of non-payment of pension and provident fund contributions.

31 Spanner Road
Clayville
Olifantsfontein
1666

35. The BRP was informed that contributions had been deducted from employee salaries, pre-commencement of business rescue proceedings, but were not paid over to the fund administrators.

36. The BRP requested a full reconciliation statement from HR, which he has subsequently received.

37. This issue is being dealt with as one of utmost importance. The BRP is in the process of arranging an urgent meeting with the fund administrators to find a workable solution that will be aimed at dealing with the arrears, whilst also initiating the liquidation of the funds to avoid future non-compliance.

ALTRON SYSTEM ISSUES

38. The Company's IT service provider, Altron, has suspended its services to the Company pursuant to a dispute surrounding pre-rescue debts allegedly due and payable.

39. The provision of the IT services are critical. The Company, at present, is unable to process system related operations such as the payroll and payments to third-parties. In addition, the IT services runs the necessary software that process employee exit procedures, which the Company has been unable to attend to.

40. The BRP is negotiating with Altron in an attempt to resolve the dispute as speedily as possible.

41. Affected parties will be kept abreast of the developments in this regard.

31 Spanner Road
Clayville
Olifantsfontein
1666

Unlawful Strike Action

42. On the morning of 02 July 2025, employees at the Delmas Abattoir went on an unprotected strike and picket action.

43. The BRP will address a formal notice to the employees and unions requesting that this action be ceased forthwith. Employees who fail to adhere to the demand will be faced with disciplinary proceedings and possible dismissal.

44. The BRP will keep affected parties abreast of the developments as they unfold

Conclusion

45. There are a number of labour related issues which requires the immediate attention of all stakeholders.

46. The BRP remains committed to resolving these issues as speedily as possible, with specific emphasis on the payment of the June salaries.

47. Affected parties will be kept abreast of the developments in subsequent circulars.

ELECTRONICALLY SENT

____

Tebogo Maoto
Senior Business Rescue Practitioner

31 Spanner Road
Clayville
Olifantsfontein
1666

+2712 641 0050

infodb@daybreak.co.za

www.daybreak.co.za

Company Registration Number: 2001/015025/07