(Under Business Rescue)
31 Spanner Road
Clayville
Olifantsfontein
1666

04 March 2025

COMMITTEE OF EMPLOYEES		**AFADWU**	
SAEWA		**Attention:**	Isaac Ngubeni
Attention:	**Simon Macheke**	**Per Email:**	ngubenii@afadwu.org.za
Per Email:	simon@saewa.co.za		Isaacngubeni202@gmail.com
FAWU		**SACTWU**	
Attention:	**Richard Aphane**	Attention:	Tshepo Makhene
Per Email:	richard.aphane@fawu.org.za	Per Email:	tshepom@sactwu.org.za

Dear Sirs,

<u>DAYBREAK FOODS // RESPONSE ON QUERIES RAISED IN RESPECT OF DRAFT TERMINATION NOTICE</u>

1. The above matter and the letter addressed by the Employees Committee on 24 February 2026 refers.

2. We respond to the letter *ad seriatum* herein below:

3. <u>Ad Definitions:</u>

   3.1. We have inserted the definition clauses as requested.

4. Ad Timing of Severance Pay:

4.1. We have inserted an additional clause dealing with the payment of the severance packages.

4.2. At this stage it is impossible for the BRP to provide the date on which severance packages will be paid. This issue will be addressed in detail in the further business rescue plan, once we have clarity on the SEP process and the projected cashflow of the Reactivation Option.

4.3. The Company's inability to make payment of severance packages does not change the legal nature of the payments. The payments do not convert to loans and, as such, no interest will accrue on the payment of severance packages.

4.4. Leave is accrued as follows:

4.4.1. employees are entitled to their annual leave within their 12-month leave cycle.

4.4.2. Any accrued leave which is not taken within a period of 6 months after a leave cycle is forfeited.

4.5. Employees who did not render services will not accrue leave. Section 19 of the BCEA stipulates that the provisions which *inter alia* deals with the leave provisions does not apply to employees who worked less than 24 hours per month. It is common cause that the employees who were on stipend did not render any services to the Company during this period.

4.6. The calculation of one week's salary for each completed year of service will be done up until the month in which the termination notices will be sent, being March 2026.

4.7. In our consultations, we were advised that certain of the employees were initially employed by Afgri, before the sale of the business was concluded in 2015. We are attempting to obtain the sale agreements to ascertain the position of these employees in relation to their actual start dates at the Company. Once we have copies of these agreements we will be in a position to determine the position in relation to Section 197 of the LRA.

5. <u>Notice Pay and Stipend</u>

5.1. We confirm that once the termination notices are sent, the employment of these employees will cease forthwith and no further stipend and/or salary payments will be made.

6. <u>UIF compliance and employees' ability to claim benefits</u>

6.1. As discussed in our consultations, the BRP is aware of the Company's failure to submit UIF declarations.

6.2. We confirm that the BRP has appointed Mr. Masana Mabale as a consultant to assist the HR Department in ensuring compliance.

6.3. We confirm that since Mr. Mabale's appointment, the Company has filed all outstanding UIF returns. We have requested written confirmation from the UIF that the Company is now fully compliant and employees are able to claim benefits once they are retrenched.

6.4. We confirm that all requisite declarations have been duly submitted to the UIF. Notwithstanding the submission of such declarations, written confirmation of the Company's compliance status has not yet been received. We anticipate receiving confirmation of the Company's compliant status shortly and will furnish you with written confirmation immediately upon receipt thereof. Proof of the declarations submitted and correspondence to the UIF is attached hereto.

6.5. Naturally, the Company cannot guarantee that employees who are retrenched will be able to claim benefits. This should be confirmed by the UIF in writing.

7. Provident Fund and other third-party payments

7.1. The BRP confirms that all provident fund payments are fully paid and up to date.

7.2. In our earlier meetings with the employees committee, you will recall that the BRP confirmed having paid up all arrear amounts which had accrued when business rescue proceedings commenced.

7.3. In addition thereto, the employees were advised that an agreement was reached with the Provident Fund Administrators that the contributions of the employees that are on stipend have ceased to be deducted, save for the monthly risk and administration fees which continue to be made by the Company on a monthly basis.

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7.4. The BRP records that written confirmation of the Company's compliance status has been received from the Provident Fund Administrator, more particularly Sanlam and Old Mutual, which confirmation is attached hereto.

8. <u>Business Rescue Plan and future related processes</u>

8.1. The BRP cannot provide a definitive date on when the revised business rescue plan will be published, at this stage.

8.2. You will appreciate that the SEP process remains ongoing. The BRP is in the process of discussing the offers received from the bidders with the Company's major creditors.

8.3. Once this consultation process is completed, the BRP will be in a position to implement a strategy in relation to the SEP process and the manner in which creditors (including all claims of the employees) will be paid. These proposals will be contained in the revised business rescue plan.

8.4. All affected parties, including employees to the extent of the value of their respective claims, will be required to vote on the adoption/rejection of the revised business rescue plan.

8.5. In the event that the proposed plan is rejected, the BRP or any affected party may call for the third meeting to be adjourned in order to make any required amendments to the proposed plan for reconsideration and adoption.

8.6. In the event that a revised business rescue plan is rejected in *toto*, the BRP will consult with the necessary stakeholders to determine the manner in which the preferent claim of the employees (in terms of Section 135 of the Act) will be treated. In such a scenario, it is important to note that a business rescue plan was adopted on 26 September 2025 and it remains fully binding on all affected parties.

9. Conclusion

9.1. We trust that the contents of this letter will alleviate the concerns raised in your letter under reply.

9.2. We will provide you with the written confirmation as requested once we receive same from the UIF.

9.3. We trust that you find the above in order.

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Tebogo Maoto
Senior Business Rescue Practitioner