DAYBREAK FOODS

31 Spanner Road
Clayville
Olifantsfontein
1666

09 JULY 2025

EMPLOYEES COMMITTEE

Attention: **Mr. Simon Macheke**

Mr. Sam Mahlangu

Co-Chairpersons

Per Email: simon@saewa.co.za

Samuel.mahlangu733@gmail.com

RE: DAYBREAK FOODS // TEMPORARY LAY-OFFS

1. The above matter and your letter dated 08 July 2025 refer.

Business Rescue Process

2. The BRP submits that the business rescue proceedings conducted thus far has been lawful and in accordance with the provisions of the Companies Act 71 of 2008 ("the Act").

3. We deem it necessary to briefly deal with the technical aspects of the Company's rescue proceedings thus far.

31 Spanner Road
Clayville
Olifantsfontein
1666

4. The initial filing on 22 May 2025 was declared a nullity. The Company formally commenced business rescue proceedings on 12 June 2025.

5. For the sake of brevity, we refer to the circular dated 19 June 2025, addressed to all affected parties, setting out the factual circumstances that gave rise.

6. We, accordingly, reject your allegation that the formal appointment of the BRP and commencement of rescue proceedings took place as far back as May 2025.

Temporary Lay-Offs

7. The BRP has entertained various meetings with employees advising of the financial and operational position of the Company.

8. These issues are dealt with at length in the lay-off notice and, for the sake of brevity, we do not repeat same herein.

9. The notice addressed to employees is a request to engage with the BRP, who has proposed that temporary lay-offs be implemented due to the current operational and financial situation of the Company.

10. The BRP notes that a temporary lay-off process can be implemented in two ways:

    10.1. Either through the employees contracts of employment if same makes provision for temporary lay-offs; or

    10.2. Through mutual consent between the parties.

11. The notice was an attempt to engage employees in an effort to reach consensus on the implementation of lay-offs. It is not a one-sided instruction from the Employer that lay-offs will be implemented.

12. The main rationale behind the temporary lay-offs was to prevent job losses during the emergency phase of the Company's business rescue proceedings. You will appreciate that a temporary lay-off does not constitute a retrenchment, because it does not amount to a termination of employment.

13. Your reliance on the SAA judgment to submit that temporary lay-off process is unlawful is, with respect, bad in law.

14. A temporary lay-off process is permissible before the adoption of a plan, because it is based on mutual consent.

15. Your suggestion that temporary lay-offs constitutes an indirect retrenchment, is similarly bad in law. These concepts are completing distinct from one another. The first mentioned is temporary, whilst the later constitutes a termination of employment.

16. Your rationale that the temporary-lay-off is a coercive mechanism to secure approval of the plan, is speculative and male fide.

17. The business rescue plan is either approved or rejected, based on the voting interests of creditors. A temporary lay-off has no effect on this position.

18. In previous meetings we expressly informed all union officials and employees that they may vote on the business rescue plan, only if they have a claim against the

DAYBREAK FOODS

31 Spanner Road
Clayville
Olifantsfontein
1666

Company. We reiterate that a temporary lay-off does not alter this position, because employees services are not terminated.

19. That being said, we take note of the employees objection to the proposed temporary lay-offs and will suspend this process until the parties agree otherwise.

Publication of the Business Rescue Plan

20. Your allegations surrounding the alleged unlawfulness and irregular delay in the publication of the business rescue plan, is denied.

21. The BRP addressed all employees at the first meeting of employees, including subsequent circulars, on the reason why he has requested an extension of the publication of the business rescue.

22. In short, the BRP advised that the business rescue process would be broken up in three phases, ranging from the emergency phase up to the formal turnaround and expansion.

23. It was further proposed that the business rescue plan be broken up in both a short- and long-term plan.

24. In order to complete the emergency phase, the BRP is conducting an extensive due diligence investigation into the affairs of the Company.

25. The BRP has further instructed consultants to assist in preparing a viable strategy to recommence the Company's business operations.

31 Spanner Road
Clayville
Olifantsfontein
1666

26. These processes take significant time and the entire team is working hard to achieve the deadlines.

27. Having regard to the amount of work, it is virtually impossible for the plan to be published within the statutory timeframe.

28. The BRP has maintained that the plan will be published on 22 August 2025, from the onset. There is, with respect, no sense in you allegation that the extension of the publication of the business rescue plan violates transparency and efficiency principles. These allegations are baseless.

Third- Party Deductions

29. The BRP is fully aware of the failure to pay third parties such as the Pension Funds and SARS.

30. This is a pre-commencement issue which the BRP deems vitally important to resolve.

31. The BRP has kept all employees and union officials abreast of the developments.

32. The employees and union officials are fully aware that the BRP and his team have attended to consultations with both Old Mutual and Sanlam to address the pension fund issue.

33. The BRP proposes to make us of the funding, once received from the shareholder and funder, to make payment of the arrears. The BRP has engaged these funds and is in the process of arranging a payment proposal to clear the arrears so that employees can gain access to their benefits.

31 Spanner Road
Clayville
Olifantsfontein
1666

34. We are positive that this issue will be resolved amicably and the parties are continuously engaging each other.

Alternatives to Lay-Offs

35. The BRP will consider any possible alternatives to lay-offs.

36. One of the options is a voluntary severance package, as you request in your letter under reply.

37. The BRP is open to entertain discussions surrounding VSP's. The agreements reached, will be subject to funding be obtained by the Company.

38. We request that the committee provide us with a list of employees who would be willing to enter into VSP's. Once in receipt of the list, we will commence the process.

Closing

39. In closing, we confirm that:

    39.1. The temporary lay-off process will be suspended as requested by the committee;

    39.2. The Plan remains scheduled to be published on 22 August 2025;

    39.3. We are dealing with the deductions issue and are confident that same will be resolved;

    39.4. We will explore the VSP's issue and await a list of employees who are willing to enter into same.

31 Spanner Road
Clayville
Olifantsfontein
1666

39.5. The BRP has set out the position surrounding TERS. Despite numerous engagements and attempts to obtain TERS relief, the BRP was advised that there will be no TERS funding, if any, pending the approval of a business rescue plan.

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

ELECTRONICALLY SENT

Tebogo Maoto
Senior Business Rescue Practitioner