

SWORN STATEMENT IN TERMS OF SECTION 129(3)(a) OF THE COMPANIES ACT 71 OF 2008, AS AMENDED "(THE "COMPANIES ACT")", IN RELATION TO THE SUPERVISION AND BUSINESS RESCUE PROCEEDINGS OF FLEXIBLE PACKAGES CONVERTORS PROPRIETARY LIMITED (REGISTRATION NUMBER 2014/232304/07)

I, the undersigned,

ASIM SYED SHAMIM (PASSPORT NUMBER: AD5155844)

do hereby declare that –

1. I am a director of Flexible Packages Convertors Proprietary Limited (Registration Number 2014/232304/07) (the "Company") with its registered address at 316 Marks Street, Waltloo, Pretoria, Gauteng, 0184.
2. The facts and allegations herein contained are, save where the context indicates a contrary intention or where I state it to the contrary, within my own personal knowledge and are to the best of my knowledge and belief both true and correct.
3. On the 30th March 2023, the Board of Directors of the Company (the "Board of Directors") passed a resolution (the "Resolution") for the Company to be placed under business rescue in terms of Section 129 of the Companies Act 71 of 2008, as amended. A copy of the Resolution is attached hereto as Annexure "A".
4. As appears from the Resolution, I am duly authorised to make representations and depose to this sworn statement on behalf of the Company. Furthermore, I make this sworn statement in support of the facts relevant to the grounds on which the Resolution was founded.

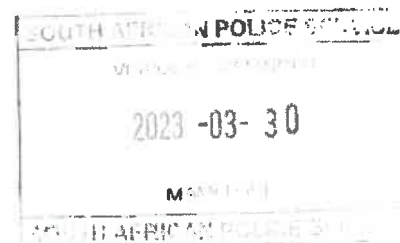
BACKGROUND AND FINANCIAL DISTRESS

5. The Company is a leading manufacturer and printer of high quality monolayer and co-extruded flexible packaging solutions. The Company makes use of premium materials and equipment.
6. Some of the services rendered by the Company include extrusion, splitting, bagging and printing.
7. The Company manufactures its products from a single facility in Waltloo, east of Pretoria, and supplies customers in Southern Africa. The Company's clients are mainly food and beverage producers, as well as suppliers of packaging into the food and beverage sector.
8. Up until the beginning of 2020, the Company's financial position was positive and the company was trading very profitably. In this regard, and in the year 2019, the business was delivering great results, with a top-line of R541 million rand and a bottom line of R8.84 million rand (profit before tax).
9. With the advent of the global pandemic of Covid-19 in 2020, the Company faced its first year of financial losses. This was primarily due to the following reasons:
 - 9.1 There was increased pricing from the Company's suppliers providing raw materials to the Company. The effect was further compounded by exchange rate fluctuations.
 - 9.2 There was a sharp decline in business for the Company's customers that were affiliated with beverages and other non-essential service industries like restaurants, due to the lockdown restrictions. This in



turn had a major negative impact on the Company, given that the Company's main clients are food and beverage producers, as well as suppliers of packaging into the food and beverage sector.

- 9.3 The Company's suppliers of raw materials hiked up their prices and this had a negative effect on the Company's contribution margins. The Company was unable to similarly hike up its prices to its customers due to already existing contracts in place whereby price increases could only be negotiated at a later stage.
- 9.4 There was an increase in energy tariffs resulting in an increase in energy costs, coupled with supply interruptions due to load shedding throughout the year.
- 9.5 There was a major decrease in sales of products, owing to the lockdown.
- 9.6 There was a sharp drop in productivity on account of the reduction in the availability of the work force, due to many of the lockdown restrictions imposed by Government. This was further compounded by increased overtime costs.
- 9.7 Production planning was negatively impacted by the erratic demand from customers (caused by the lockdown restrictions).
- 9.8 There was a substantial increase on the Company's debtors' book.
10. The Company experienced the following challenges during 2021 (on top of the 2020 challenges listed above, which continued to persist):
 - 10.1 The Company continued to suffer price increases on raw materials, without being able to similarly hike up prices of products to its customers. This led to the cost of raw materials exceeding sales figures.
 - 10.2 The Company entered into a new retail segment of the brand name Hero. This required detailed understanding of pricing and various types of rebates to be given to retailers. However, the price charged did not cover all the rebates to be passed onto customers and retailers. This resulted in further losses for an otherwise new business.
 - 10.3 The Company spent a significant amount on consulting expenses which was not part of the yearly budget, however these consulting services were required for business turnaround and bringing in necessary discipline in the service level improvements of the business. The benefits of these consulting services were however unfortunately not achieved as the basic strategy of the available capacity of the machines was not able to support the service levels and overloading at lower prices kept creating the lower margins which ended up creating losses.
 - 10.4 Owing to the financial stresses already being experienced by the Company, a lot of pressure was placed on working capital requirements, which was further compounded by revision of payment terms by suppliers (reduced credit days as explained below).
 - 10.5 The agreements reached with major creditors to extend the payment terms to 90 days at the end of 2020 and beginning of 2021, came to an end in November 2021. However, these agreements were admittedly poorly structured, as they required settlement of 60 days and 90 days in one month, with

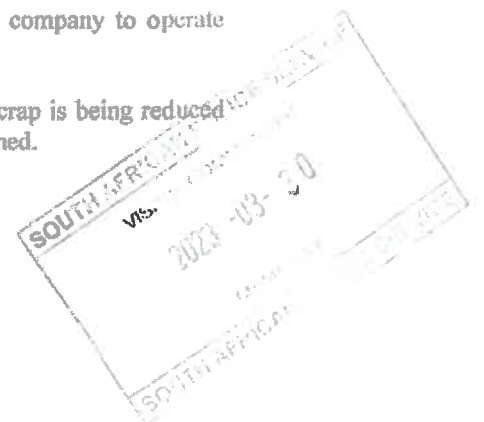


no spreading of settlement across 3 to 4 months (as is usually done for such large agreements). Hence, the business entered a greater cash deficit position.

- 10.6 The movement to a debtor finance facility which fluctuates did not provide the Company with more access to funds, but rather decreased it. Based on the how facility is currently structured, it continues to fall.
11. The Company experienced the following challenges during 2022 (on top of the 2021 challenges listed above, which continue to persist):
- 11.1 There was a change of management in May 2022. The new management has taken an aggressive approach towards price increases in the market and the Company has accordingly been able to recover a significant amount. This increase has however not been sufficient in filling the current cash deficit.
- 11.2 The increase in the cash burden is mainly being attributed to the Company's working capital cycle, where the Company is required to pay on a cash basis to all raw material suppliers, plus 30% to settle the Company's old debts. However, on the customer side, this cycle is stretched to an average of 60 days from a statement being issued to the customer.
- 11.3 Though some customers helped on short payment terms, this was not sustained for more than a quarter of the year, and all the Company's customers were required to go back to agreed payment terms.
12. The aforesaid factors resulted in the Company becoming financially distressed and accordingly the Board of Directors resolved to place the Company in business rescue.
13. As is envisaged in terms of the Companies Act, the Company is reasonably unlikely to be able to pay all its debts as they become due and payable within the immediately ensuing 6 months and is therefore "financially distressed", as defined in the Companies Act.
14. The Company is faced with a situation where it is forced to restructure and reorganise its financial affairs and negotiate such restructuring with its creditors which process will be best achieved under the umbrella of business rescue proceedings as envisaged in terms of the Companies Act.

REASONABLE PROSPECT OF RESCUE AND/OR OBTAINING A BETTER RETURN FOR CREDITORS OR SHAREHOLDERS

15. Notwithstanding the above, the Board of Directors is of the view that there remains a reasonable prospect of rescuing the Company and/or if it is not possible for the Company to so continue in existence, there exists a reasonable prospect that the business rescue will result in a better return for the Company's creditors or shareholders, than would result from the immediate liquidation of the Company.
16. Business rescue will allow the Company to reorganise its affairs in order that the Company can trade out of its current situation or achieve a compromise or come to an arrangement acceptable to its creditors and other stakeholders.
17. If the Company's balance sheet can be restructured through a compromise with creditors and should capital from equipment and other asset sales be raised, together with a capital injection from shareholders, then the Company's working capital can be released for trading purposes.
18. Current pricing levels of business are quite lucrative and will allow for the company to operate profitably.
19. Operationally, the Company's factory is now being monitored to ensure that scrap is being reduced from 14.5% to 10% and will reduce to 8% if the continuity of supply is maintained.



20. Should the Company's key customers be focused on, the Company will be able to positively restructure its affairs.
21. The business rescue process will allow for:
 - 21.1 The temporary supervision of the Company and for the management of its affairs and business.
 - 21.2 A temporary moratorium on the rights of claimants against the Company or in respect of property in its possession.
 - 21.3 The development and implementation, if approved, of a plan to rescue the Company by restructuring its affairs, business, property, debt, securities and other liabilities, and equity in a manner that maximises the likelihood of the Company continuing in existence, should result in a better return for the Company's creditors or shareholders than would result from the immediate liquidation of the Company.
22. Insofar as legal proceedings are concerned, the Company is currently not involved in any litigious proceedings.

Syed A. Shamim
 ASIM SYED SHAMIM

ASIM SYED SHAMIM

I hereby certify that the deponent knows and understands the contents of this statement and that it is to the best of his knowledge both true and correct. This statement was signed and sworn to before me at _____ on this the _____ day of March 2023, having complied with the Regulations contained in Government Notice R.1258 of 21 July 1972, as amended, and Government Notice No R1648 of 19 August 1977, as amended.

Naishanhelephi Simon Kameloni

COMMISSIONER OF OATHS

Designation: *Captain*

Full Names: *Naishanhelephi Simon Kameloni*

Address: *497 Tretaria Road*

