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## **VAN ELLE HOLDINGS PLC**

# **STATEMENT BY MR MICHAEL ELLIS**

**PURSUANT TO SECTION 314 OF THE COMPANIES ACT 2006**

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**THE BOARD STRONGLY RECOMMENDS  
THAT SHAREHOLDERS VOTE AGAINST  
THE ELLIS RESOLUTIONS**



**VAN ELLE HOLDINGS PLC**

*(Incorporated and registered in England and Wales with registered number 04720018)*

**Board of Directors:**

Adrian Barden (Non-Executive Chairman)  
Jon Fenton (Chief Executive Officer)  
David Stuart Hurcomb (Independent Non-Executive Director)  
Paul Pearson (Chief Financial Officer)  
Robin Williams (Senior Independent Non-Executive Director)

**Registered Office:**

Kirkby Lane  
Pinxton  
Nottingham  
Nottinghamshire  
NG16 6JA

Dear Shareholder

**STATEMENT BY MR MICHAEL ELLIS**

On 22 November 2017, your Board announced that it had posted a circular to Shareholders (the "Circular") containing a notice convening a general meeting of Shareholders to consider resolutions proposed by Mr Michael Ellis. Save where otherwise defined herein, capitalised terms and expressions have the meanings given to them in the Circular.

On 27 November 2017, your Board received notice that, pursuant to section 314 of the Companies Act 2006, Mr Ellis (holding greater than 5% of the total voting rights in the Company) would like to exercise his right to request the Company to issue to Shareholders, on his behalf, a statement with regard to the Ellis Resolutions (the "Statement").

In fulfilment of the Company's obligations under the Companies Act 2006, the Statement can be found at Appendix 1 of this document.

The Board does not consider that any points raised in the Statement call into question the views it previously expressed within the Circular regarding the Ellis Resolutions.

**Consequently, the Board continues to unanimously and strongly recommend that Shareholders VOTE AGAINST the Ellis Resolutions.**

The Board will issue a further announcement in due course setting out its response to the Statement.

Yours faithfully,

**Adrian Barden**  
Chairman

**29 November 2017**

**Shareholders should note that the Board has not sought to independently verify the accuracy of the Statement.**

**APPENDIX 1**

Dear Shareholder,

You have received notice of the Meeting to be held on 15 December 2017 at noon.

I have called the Meeting to address my serious concerns, proposing appointments with the experience and skillset to restore shareholder value. I care deeply about this Company, its people and shareholders and want to restore its former growth trajectory. **There is NO personal agenda.** My intention is to create value for **ALL** shareholders. I would not be taking action were VNL performing as I know it can.

Although Mr Fenton has resigned as chief executive, his replacement must be with someone who knows the business and how to maximise its assets. For this reason, I urge you to **support** my resolutions.

**Please vote in favour of all resolutions.**

**Going backwards in a rising market**

Until I left VNL, it had enjoyed a history of sustained growth. From founding, I grew VNL to be the largest, most profitable geotechnical contractor in the UK. An investment of £25,000 in 2003 translated into a £1.27m shareholding at IPO, with the worst recession in living memory midway. This is the growth VNL is capable of with the correct team in place. I left the foundations and strategy in place that should have seen VNL continue to grow at this rate.

**Since my departure, VNL has disappointed. The share price is 37% points less than the AIM all-share index since IPO.**

Forecasting and Rail

On 8 December 2016 VNL stated that “the Board remains confident in its expectations for the current financial year”. Three months later and only five months after IPO, VNL issued a profit warning blaming delays in its rail division for a 25% fall in its anticipated 2017 revenue. On 25 May and 12 September 2017 VNL claimed that trading remained in line with diminished expectations, albeit that rail was still “challenging”.

Rail’s problems are not due to circumstances beyond VNL’s control. Rail has had three divisional directors in twelve months. Mr Fenton confirmed at the AGM that “there was plenty of work out there”, but there have been significant losses for VNL whilst other firms in the sector are thriving.

VNL lauds its record turnover and profit growth but profit growth is declining. We achieved 135% profit growth between 2014/2015; this reduced to 5% for 2016/2017. Whilst VNL confirmed on 22 November that it remains on track to achieve its forecasts for FY2018, this relies heavily on a record H2 and the delivery of another exceptional project such as FY2017’s Eden Brow (which accounted for 25% of profit). Equally, I am concerned that margins in many sub-divisions are reducing in an expanding market.

**I am also concerned that VNL is now reporting “underlying” operating profit, against last year’s statutory operating profit.**

**What is the statutory operating profit for H1 2017? As shareholders, we require an explanation for these unbalanced comparisons.**

Given previous announcements, I believe that the board is overly confident about its prospects and the current outlook does not match the positive statements provided.

**Corporate Governance**

VNL states that my proposals would “significantly weaken the independence of the board”. However, I am proposing a board of three directors with experience of the business and two non-executive directors – the same constitution at IPO. I have also secured indications from three further potential NEDs – a retired senior director of one of the UK’s largest construction groups, a senior partner in a top 5 city accounting firm and an experienced corporate and financial communications director – to join VNL’s board.

### Morale

VNL had the best employees in the sector, but morale is low due to management's failure to recognise the importance of its staff and to treat them accordingly. Management's failure to react to problems promptly has impacted collegiality, innovation and dynamism, cornerstones of VNL's success. Staff turnover is high (stated by current management at 9%), including the departure of **key individuals**.

### Strategy

VNL states that "strategy remains unchanged" but it has not been meaningfully pursued or delivered since the IPO. Many of the 'achievements' referenced were advanced at the time of the IPO. The most obvious example is in VNL's failure to undertake any acquisitions despite £7.4m raised for such purposes. Value enhancing opportunities have already been missed. No member of the executive team has experience of executing or integrating an acquisition.

### **Board's response to our concerns**

I sought engagement with the current board on innumerable occasions since July. My concerns have been dismissed without explanation, and my offers of assistance ignored.

**Requisitioning a Meeting is not a step I have taken lightly. The personal approach of VNL's circular is disingenuous and shows the board's continued failure to address my concerns. There is no explanation or ideas for the future strategic direction of VNL.**

### **Details of the proposed Directors**

**Michael Ellis**, a geotechnical engineer of 50 years' experience is the founder of VNL and led the development of VNL to its IPO in 2016.

**Tom Lindup** was a corporate lawyer for 11 years with vast experience in corporate governance. Tom joined VNL in April 2015 and was responsible for compliance, acquisitions and turning an underperforming division to profitability.

With so much riding on VNL's performance in H2, the need for an experienced manager with a history of successfully leading the business is more pressing than ever. I am that leader.

### **What will the new Directors do?**

- Restore morale and VNL's competitive advantage
- Reinvigorate strategy set out at IPO
- Report within 60 days of our findings
- Bolster senior management
- Operational review in Rail
- Appointments to marketing, compliance and use of marketing data
- Reenergise VNL's bid pipeline and improve conversion
- Improve investor engagement
- Bolster the non-executive oversight on the board
- Work with Paul Pearson, Adrian Barden and David Hurcomb.

I urge you to **vote alongside us in favour of all resolutions proposed at the Meeting**. We speak for 16,070,460 shares (20% of the issued share capital).