

*These notes refer to the Companies Act 2006 (c.46)
which received Royal Assent on 8 November 2006*

COMPANIES ACT 2006

EXPLANATORY NOTES

COMMENTARY

Part 15: Accounts and Reports

Chapter 5: Directors' Report

Sections 415 to 419: Directors' report

668. These sections concern the duty to prepare a directors' report, its content, approval and signature. They replace sections 234, 234ZZA, 234ZZB, 234ZA, 234A, 246(4)(a) and 246A(2A) and 246(8) of the 1985 Act.
669. [Section 416\(4\)](#) gives the Secretary of State power to make provisions by regulations as to other matters that must be disclosed in the directors' report. These regulations replace the provision formerly made by Schedule 7 to the 1985 Act. The regulations are subject to the Parliamentary procedure in section 473.
670. [Section 417](#) provides for what must be contained in the business review element of the directors' report. All companies, other than small companies, will need to produce a business review, as required by the EU Accounts Modernisation Directive (2003/51/EEC). *Subsection (2)* sets out the purpose of the review, that is, to inform members of the company and help them assess how the directors have performed their duty under section 172 (duty to promote the success of the company). *Subsections (3), (4), (6) and (8)* specify the content of the review. *Subsection (5)* specifies information that quoted companies in particular must include in their review where necessary for an understanding of the company's business. Where directors of quoted companies have nothing to report on environmental, employee, social and community matters or essential contractual or other arrangements, their review must say so. *Subsection (7)* exempts medium-sized companies from reporting non-financial key performance indicators – an exemption allowed by the EU directive. *Subsection (9)* provides that where the directors' report is a group report, all references in section 417 to the company are to be read as references to the company and its consolidated subsidiary undertakings. *Subsection (10)* enables directors to omit from the business review information about impending developments or matters in the course of negotiation where in their opinion disclosure would be seriously prejudicial to the interests of the company. *Subsection (11)* enables directors to omit from the business review information about a third party otherwise required by subsection (5)(c) (essential contractual or other arrangements) where in the directors' opinion it would be seriously prejudicial to that third party and contrary to the public interest.