

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

# COMPANIES ACT 2006

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## EXPLANATORY NOTES

### COMMENTARY

#### **Part 28: Takeovers Etc**

#### **Detail of changes made to the operation of provisions previously contained in Part 13A of the 1985 Act**

Applications to the Court ([section 986](#))

#### *Chapter 4: Amendments to Part 7 of the Companies Act 1985*

#### *Section 992: Matters to be dealt with in directors' report*

1258. This section implements Article 10 of the Takeovers Directive. Article 10.1 and 10.2 require companies admitted to trading on a regulated market to provide in their annual reports detailed information relating to matters such as the control and share structures of the company. It is, therefore, provided by amendment to Part 7 of the 1985 Act that the information required by the Directive must be set out in the directors' report.
1259. Additionally, Article 10.3 of the Directive requires boards of companies to present an explanatory report to shareholders on the issues referred to in Article 10.1 and 10.2 at the company's annual general meeting. This section requires this additional explanatory material to be contained in the directors' report submitted to the annual meeting of shareholders.
1260. [Section 992\(5\)](#) amends section 251 of the 1985 Act on summary financial statements. It provides for the explanatory material required by Article 10.3 of the Takeovers Directive either to be included in the summary financial statement or to accompany it.
1261. Failure to include either the information concerning control and share structures or explanatory material in the annual report will attract existing criminal sanctions under section 234(5) of the 1985 Act (directors responsible for the failure to comply with provisions related to the directors' report are to be liable to a fine).
1262. [Section 992\(6\)](#) provides that these new provisions will apply in relation to directors' reports for financial years beginning on or after 20 May 2006 (the date by which the Directive had to be implemented).
1263. These are general requirements designed to bring greater transparency to the market and apply to all relevant companies whether or not they are involved in a takeover. Accordingly, the requirements will apply to all companies registered in the UK which have voting shares traded on a regulated market, whether or not that includes an official listing on the London Stock Exchange.

Under Part 15 of the Act (section 416), the Secretary of State may in future make regulations as to the contents of the directors' report and those regulations will be able to incorporate the provisions introduced by section 992(2) to (4). Regulations under sections 427 and 428 will be able to make provision for the additional explanatory

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material when a summary financial statement is sent out rather than the full accounts and report.