
EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations amend the Companies Act 2006 (c.46) (“the Act”) to insert new sections which provide for the preparation by companies of a strategic report. The Regulations also amend the requirements for the contents of the directors’ report set out in Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (S.I. 2008/410) and in Schedule 5 to the Small Companies and Groups (Accounts and Directors’ Report) Regulations 2008 (S.I. 2008/409). The Regulations amend the Act to substitute for summary financial statements the strategic report and supplementary material.

Regulation 3 inserts a new Chapter 4A into Part 15 of the Act. New section 414A requires companies (other than those eligible for the small companies regime for accounts) to prepare a strategic report. New section 414B prescribes the content of that report, including a requirement to provide information regarding the employment of people of each sex within the company. New section 414D require that the report shall be approved by the directors and signed by one of them.

Regulation 4 amends section 415A as a consequence of new section 414B.

Regulation 5 repeals section 417 (contents of directors’ report: business review) of the Act. It will no longer be a requirement for a business review to be prepared as part of the directors’ report.

Regulation 6 amends section 416 (content of directors’ report) of the Act to omit the need for a statement by the company of its principal activities in the course of the year.

Regulations 7 and 8 amend the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (S.I. 2008/410) and the Small Companies and Groups (Accounts and Directors’ Report) Regulations 2008 (S.I. 2008/409) regulations which prescribe the contents of the directors’ report to remove certain items of information from the report, and limit the need to provide information on a company’s purchase of its own shares to public companies. S.I. 2008/410 is amended to require quoted companies to make certain disclosures regarding greenhouse gas emissions.

Regulations 9 to 12 amend section 426 of the Act to substitute for a summary financial statement a copy of the strategic report and supplementary material.

A full regulatory impact assessment of the effect that these Regulations will have on the costs to business is available from Business Environment Directorate of the Department for Business, Innovation and Skills, 1 Victoria Street, London SW1H 0ET or at www.gov.uk/bis and is published with the Explanatory Memorandum alongside the instrument on www.legislation.gov.uk.