

**EXPLANATORY MEMORANDUM TO**  
**THE COMPANIES (RECEIPT OF ACCOUNTS AND REPORTS) REGULATIONS 2013**  
**2013 No. 1973**

1. This explanatory memorandum has been prepared by the Department for Business, Innovation and Skills and is laid before Parliament by Command of Her Majesty.

**2. Purpose of the instrument**

2.1 This instrument sets out the circumstances in which companies may provide a copy of the strategic report with supplementary material instead of full accounts and reports and the persons to whom they can be sent.

**3. Matters of special interest to the Joint Committee on Statutory Instruments**

3.1 None

**4. Legislative Context**

4.1 These Regulations are made under section 426 of the Companies Act 2006 (“the Act”). That section was amended by the Companies Act 2006 (Strategic Report and Directors’ Report) Regulations 2013 (S.I. 2013/1970) (“the 2013 Regulations”) to provide that instead of preparing a summary financial statement to send to members who did not wish to receive the full set of company accounts and reports the company could send a copy of its strategic report, with supplementary material (as defined in section 426A of the Act, as inserted by the 2013 Regulations). Section 423 of the Act requires companies to send a copy of the company’s accounts and reports, subject to the provisions of section 426.

**5. Territorial Extent and Application**

5.1 This instrument applies to all of the United Kingdom.

**6. European Convention on Human Rights**

As the instrument is subject to the negative resolution procedure and does not amend primary legislation, no statement is required.

## **7. Policy background**

- What is being done and why

7.1 For companies with large numbers of persons that are sent the annual accounts and reports, the option to distribute the shorter Summary Financial Statement(SFS) rather than the full accounts and reports offered a cost saving. However, responses to the 2011 consultation told us that the SFS had reduced in popularity with only a few companies choosing to offer this.

7.2 The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 (S.I. 2013/1970) amends the structure of the current reporting framework, requiring companies produce a concise Strategic Report, which will fulfil a similar function to the SFS. To avoid duplication the government will disapply the current SFS regulations whilst retaining the current election of those shareholders who have opted not to receive the full annual report and accounts.

7.3 In addition, the move from the Summary Financial Statement to the Strategic Report aligns company law with developing market practice by changing the emphasis of high-level company communication from historical financial performance to strategy and governance.

## **8. Consultation outcome**

8.1 The consultation covering changes to the structure of the narrative sections of the annual report and ran from 19 September 2011 and 25 November 2011 receiving 116 responses.

8.2 This consultation involved the full range of stakeholders and the specific changes in this instrument have not been subject to further review as they are deregulatory in effect and result from the legislative changes already consulted on.

## **9. Guidance**

9.1 The Financial Reporting Council will be producing guidance to accompany the changes to the reporting framework.

## **10. Impact**

10.1 The changes to the Narrative Reporting Framework were subject to a full impact assessment and impact of these SI's is implicit in those assessments

10.2 Only those quoted companies with significant numbers of shareholders who choose to send the Strategic Report, and who have carried out the necessary consultation with shareholders, will benefit from these optional regulations.

**11. Regulating small business**

11.1 The legislation will apply to small companies who choose not to apply the small companies' exemption available in The Act. In addition this is an optional piece of legislation and small business will only be required to comply with the requirements should they choose to implement this option.

**12. Monitoring & review**

12.1 It is intended to review the option to send a strategic report when the provisions of the 2006 Act when the provisions of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 (S.I. 2013/1970) are reviewed

**13. Contact**

13.1 Mark Jackson at the Department for Business, Innovation and Skills, Tel: 0207 215 0352 or email: [mark.jackson@bis.gsi.gov.uk](mailto:mark.jackson@bis.gsi.gov.uk), can answer any queries regarding the instrument.