

## Directors' explanatory report

1132. (1) Except in the case of a merger by absorption and subject to subsections (4) and (5), a separate written report (the “explanatory report”) shall be prepared in respect of each of the merging companies by the directors of each such company.

(2) The explanatory report shall at least give particulars of, and explain—

(a) the common draft terms of merger;

(b) the legal and economic grounds for and implications of the common draft terms of merger with particular reference to the proposed share exchange ratio, organisation and management structures, recent and future commercial activities and the financial interests of the holders of the shares and other securities in the company;

(c) the methods used to arrive at the proposed share exchange ratio and the reasons for the use of these methods; and

(d) any special valuation difficulties which have arisen.

(3) The explanatory report shall be signed, on the same date, on behalf of each of the merging companies by 2 directors of each such company (or, in the case of each of one or more of them having a sole director, by the sole director); the report shall bear the date of such signing.

(4) This section is subject to section 1137 (11) (which provides for an exemption from its requirements in relation to a particular type of merger operation).

(5) This section shall not apply if the following condition is, or (as appropriate) the following 2 conditions are, satisfied:

(a) other than in a case falling within paragraph (b), all of the holders of shares conferring the right to vote at general meetings of each of the merging companies have agreed that this section shall not apply; or

(b) where a requirement for the taking effect of a vote (whether a vote generally or of the type to which this subsection applies) by holders of shares of any of the merging companies is that a holder of securities of the company has consented thereto—

(i) the agreement mentioned in paragraph (a) exists; and

(ii) all of the holders of securities of the company or companies in respect of which requirement mentioned in this paragraph operates have agreed that this section shall not apply.