

## Directors' explanatory report

491. (1) Subject to subsections (4) and (5), a separate written report (the “explanatory report”) shall be prepared in respect of each of the companies involved in the division 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 division, and

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

(3) On the explanatory report being prepared in relation to a company, the board of directors of it shall approve the report in writing.

(4) 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 companies involved in the division 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 companies involved in the division 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 the requirement mentioned in this paragraph operates have agreed that this section shall not apply.

(5) This section shall not apply in relation to a company involved in a division by formation of new companies where the shares in each of the acquiring companies are allocated to the shareholders of the transferor company in proportion to their rights in the capital of that company.