CHIEF EXAMINER REPORT

JANUARY 2026

LEVEL 6 UNIT 16– COMPANY & PARTNERSHIP PRACTICE

The purpose of the report is to provide candidates and training providers with guidance as to the key points candidates should have included in their answers to the January 2026 examinations.

The 'suggested points for responses' set out points that a good (merit/distinction) candidate would have made.

Candidates will have received credit, where applicable, for other points not addressed.

Chief Examiner Overview

This was a small cohort.

What candidates did well:

- High scoring candidates provided concise answers to the questions being asked, demonstrating sound application of the law to the facts provided. Analysis of the facts was consistently and clearly demonstrated by these candidates.
- High scoring candidates demonstrated a thorough understanding of the law and how it impacted the specific client's facts and circumstances by providing in-depth but specific advice rather than merely repeating legal provisions.

What candidates did less well:

- Company procedure – candidates were asked to provide advice on the procedure for allotting new shares, appointing a new director and entering into a long term service contract. Candidates should ensure that when answering a company procedure question, they provide a logical procedure plan setting out each step required to implement the company action. They should apply the facts given to ensure they have identified the correct step for that company, and they should provide the relevant authority. Candidates should also ensure that they include all matters that must be attended to after the relevant meetings to e.g. register forms/documents with the company registrar or update their internal records.
- Allotment of shares – candidates should ensure they understand the full procedure required to allot new shares including authorising the directors to allot the shares/dealing with pre-emption rights (and being able to identify when they are applicable) as well as the general procedure for calling a general meeting and a board meeting and what should take place at each meeting, depending on the facts.

Candidate Performance and Suggested Points for Responses

It is noted that the low numbers of candidates taking the Level 6 exams limits the scope for constructive feedback to be given and for firm conclusions to be reached. Therefore, feedback on candidate performance may be limited.

Question 1(a)	12 marks
Candidates generally performed very well on this question. The majority of candidates advised the client on the advantages of running the business as a limited liability partnership or a private company. Fewer candidates were able to advise the client on how profits would be taxed depending on the structure chosen by the client.	
Suggested Points for Response:	
• Recognition of different types of partnerships and companies • Explanation as to why Limited Partnerships, public companies and companies limited by guarantee are not suitable on the facts • Reasoned explanation as to why unlimited partnership or LLP are suitable options on the facts e.g. unlimited partnership has limited disclosure, is informal. LLP has limited liability • Reasoned explanation as to why private limited company is suitable on the facts e.g. quick and easy to set up, less regulated than public companies • Limited liability / corporate veil / Salomon • Taxation of partnership - partnerships are tax transparent / partners pay income tax on profit at prevailing rates • Taxation of companies - Companies are liable for corporation tax on income profits and chargeable gains at prevailing rates	

Question 1(b)	15 marks
Candidates who performed very well on this question provided advice on the benefits of a shelf company and thoroughly set out each amendment to be made to the shelf company (document 2 of the case study materials) to convert it into a company for the client. Stronger candidates set out full details of the documents and filings required to ensure the Companies Act 2006 was complied with in this regard.	
Suggested Points for Response:	

• Shelf company - Certificate of Incorporation has already been issued / company already exists
• Appointment of Maya and Jordan as directors (MA 17) followed by resignation of existing directors (Sonny and Leigh)
• Transfer of subscriber shares (from Sonny and Leigh to Maya and Jordan)
• Board Resolution to change registered office
• Change of name from Shelf Co 21945787 Limited to Freshloop Refill Co Ltd by Special Resolution - needs GM or WR
• Director to submit filings at Companies House and update registers:
  ○ SR for change of name / Form NM01
  ○ AD01 change of registered office (to address in Kimbolton, Hunts)
  ○ TM01 director resignation
  ○ AP01 director appointment
  ○ Update relevant company registers e.g. Members / Directors	

Question 2(a)	13 marks
The The candidates who did perform well set out a logical structure for the procedure by identifying each step (at both board and shareholder meetings) that the company would need to take to implement the issue of new shares. They then identified the relevant authority/statutory reference for that step and applied the relevant facts that they had been given to ensure the correct advice was provided at each step. Those who performed less well were not able to provide a logical procedure and missed out many of the key steps required to implement these transactions.	
Suggested Points for Response:	
• Directors' authority to allot is not required as the company has only one class of shares, s550 CA applies and gives automatic authority. • S561 CA applies, requiring shares to be first offered to existing shareholders. S561 could however be disapplied, under s569, by SR (in GM or by written resolution), board will need to approve allotment and call GM or propose WR. • Companies House registrations – SR, Form SH01 - return of allotment and statement of capital, within a month of the allotment (s555) • Internal registration of the allotment in register of members • Shareholders could choose to waive their pre-emption rights to avoid need for specific disapplication of s561 under s569.	

Question 2(b)	5 marks
The majority of candidates answered this question very well and were able to identify each key step relevant to the transfer of shares in this scenario, applying the facts given.	
Suggested Points for Response:	
• A stock transfer form (STF) needs to be completed by Priya • No stamp duty is payable because it is a gift • Nehna will need to submit the STF to the Company • Aldridge will then register Nehna in the register of members. • Board resolution to approve transfer • Directors have the power to refuse to register transfer (MA 26(7)) • STF should declare transfer was a gift	

Question 2(c)	8 marks
This question required candidates to identify the need for pre-emption provisions on a transfer of shares to be created. For those candidates that were able to identify the issue they answered the question well by explaining how the pre-emption provisions work, in which document they should be inserted and the procedure required to achieve this. Stronger candidates also detailed the filings required.	
Suggested Points for Response:	
• A pre-emption provision will be required so that any proposed transfer of shares by Priya or Nehna in the future will require the shares to be offered to existing shareholders first • Provision to be included in the articles • Special resolution of the shareholders required to change the articles, 75% majority (s21 CA 2006) • Board will need to call a GM or propose a WR. • Registration of the special resolution and revised articles with Companies House	

Question 3(a)	15 marks
Generally, this question was answered well with most candidates advising on at least one way in which a director can be appointed. Stronger candidates advised fully explaining that directors can be appointed by both the directors and shareholders. Most candidates identified the need for shareholder approval in respect of the long-term service contract. Stronger candidates explained the procedure required in detail including the need for terms of the contract to be made available to shareholders before the general meeting.	
Suggested Points for Response:	

- Appointment:
  - either by the directors in accordance with Article 17(1) MA in a BM or GM by OR.
  - by GM: directors will need to call a GM on 14 clear days' notice or short notice (s307 CA 2006 and Article 48 MA); or written resolution procedure (s288-300 CA 2006).
- Service contract of three years:
  - must be approved by OR (s188 CA 2006). Proposed agreement/ memorandum must be available for inspection not less than 15 days before general meeting (s188(5) CA 2006). Or if a written resolution is used the memorandum should be attached to it.
  - Alex may not however vote or be counted in the quorum at the board meeting called to approve her service contract (Article 14 MA).
  - If granted before approval, void and terminable at any time by reasonable notice (s188(5) CA 2006).
- Administration: BM minutes and resolutions (to decide on appointment, to hold GM to approve term and subsequent BM to authorise and grant the service contract), Notice of GM and minutes, OR, the proposed agreement/memorandum, declaration of interest, updating registers and Form AP01.

Question 3(b)	5 marks
Most candidates answered this question well, with the vast majority advising that it is the shareholders by ordinary resolution not the board that can remove a director. Stronger candidates provided further detail and applied the facts of the scenario to the law to advise on which shareholders would be able to pass the ordinary resolution.	
Suggested Points for Response:	

- The board cannot remove Daniel from office but Sarah and Chloe (as shareholders) can by an OR (s168 CA 2006)
- Because they have 70% shareholding together i.e. more than 50% to pass an OR
- His service contract will not prevent removal
- However, the right of the company to remove him will be without prejudice to any claim for compensation (s168(5))
- Special Notice must be given to the company at least 28 days before the meeting

Question 3(c)	7 marks
The majority of candidates were able to identify the correct petition that could be made to the court but some candidates did not answer the question fully and failed to advise on what the potential outcome would be if the petition were successful.	
Suggested Points for Response:	
• As a shareholder Daniel would have a right under s994(1) to petition the court for a remedy if he feels that by removing him as a director the company's affairs are being conducted in a manner which is unfairly prejudicial to him. • Exclusion from management in a small company, such as this, where the company was formed on the understanding that all those involved will share in the running of the business and the profits is an example of unfair prejudice. • Daniel has a legitimate expectation to be involved in the management (informally agreed when he originally invested). • Court has discretion to make any order it sees fit but is likely to order that the Sarah and/or Chloe and/or the Company buy Daniel's shares.	

Question 4(a)	5 marks
Generally, this question was not answered well. Some candidates were able to identify the right to issue a statutory demand based on the facts given but weaker candidates were only able to identify the power to issue a petition for winding up without being able to advise on the procedure required to enable that petition.	
Suggested Points for Response:	
• Fresh Fields is owed more than £750 so they can issue a formal written demand for the debt (a statutory demand) • If the debt remains unpaid 3 weeks after the demand and no arrangement has been made with the Co then the Co is deemed unable to pay its debts • Fresh Fields can then present a petition to the court to put the Co into liquidation • Fresh Fields also have the option to sue the Co; or • It may prefer a rescue mechanism – may suggest a CVA to the Co/apply to court to put the Co into administration	

Question 4(b)	15 marks
Most candidates identified from the facts the two transactions that a liquidator may be able to avoid but few were able to apply each element of the Insolvency Act 1986 that would need to be shown by the liquidator to do so. Strong candidates applied the facts to each element in a logical manner and came to a reasoned conclusion regarding the liquidator's ability to set the transactions aside.	
Suggested Points for Response:	
Possible transaction at undervalue (s238 IA) - sale of machinery • Relevant time (s240) within 2 years of onset of insolvency. Transaction was less than 2 years ago • Company was unable to pay its debts at the time of the transaction – it was in financial difficulty. • Definition of company's inability to pay its debts (s123 IA) • Machinery has been sold for £30,000 less than its market value – which is significantly less • Presumption of insolvency - the transaction is with a connected person (s240(2) IA) (director's spouse). • Defence if the transaction was in good faith • Transaction can be avoided by the liquidator meaning the court may order Marek's husband to return the machinery to the Co (s241) **Possible preference (s239 IA) - repayment of loan** • A repayment of a loan made. • Relevant time is within 2 years of onset of insolvency - loan is in favour of a connected person (director). • The Company was unable to pay its debts at the time of the transaction – it was in financial difficulty. • The desire to prefer is presumed because connected person • Loan is at high risk of being challenged as a preference meaning that Marek may need to repay the money	