



CILEX Level 6 Single Subject Certificate/CILEX Level 6 Professional Higher Diploma in Law and Practice/CILEX Level 6 Graduate Fast-Track Diploma

Unit 1 – Company and Partnership Law

Question paper

June 2025

Time allowed: 3 hours and 15 minutes (includes 15 minutes reading time)

Instructions and information

- It is recommended that you take **fifteen** minutes to read through this question paper before you start answering the questions. However, if you wish to, you may start answering the questions immediately.
- There are **two** sections in this question paper — Section A and Section B. Each section has four questions.
- You must answer **four** of the eight questions — at least **one** question must be from **Section A** and at least **one** question must be from **Section B**.
- This question paper is out of 100 marks.
- The marks for each question are shown — use this as a guide as to how much time to spend on each question.
- Write in full sentences — a yes or no answer will earn no marks.
- Full reasoning must be shown in your answers.
- Statutory authorities, decided cases and examples should be used where appropriate.
- You are allowed to make notes on your scrap paper during the examination.
- A basic calculator is provided should you require the use of one.
- You can use your own unmarked copy of the following designated statute book – ***Blackstone's Statutes on Company Law, 28th edition, Derek French, Oxford University Press, 2024.***
- You must comply with the CILEX Exam Regulations – Online Exams at Accredited Centres/CILEX Exam Regulations – Online Exams with Remote Invigilation.

Turn over

SECTION A

Answer at least one question from this section.

1. (a) Critically analyse how an unlimited partnership may be formed without the express written agreement of the partners.

(10 marks)

- (b) Explain how a person can be liable for a partnership's debts that were incurred:

- before that person joined as a partner; and
- after that person left the partnership.

In each case, explain how that person can protect themselves from such liability.

(9 marks)

- (c) Explain why it is beneficial for partners to have a written partnership agreement rather than relying on the provisions of the Partnership Act 1890, giving examples of the issues such an agreement might address.

(6 marks)

(Total: 25 marks)

2. Critically analyse whether a parent company can ever be held liable for its subsidiary's liabilities.

(25 marks)

3. Critically evaluate the duties imposed on directors under sections 171 to 176 of the Companies Act 2006 and explain how these duties may be enforced.

(25 marks)

4. Critically assess the respective benefits for the company and for its creditors of fixed and floating charges over the company's assets.

(25 marks)

SECTION B

Answer at least one question from this section.

Question 1

Smart Office Fitters Ltd ('SOF') is owned by Marius and his daughter, Dinara, who respectively own 45% and 55% of the shares in SOF; they are SOF's only directors. They had originally run the business as a partnership from early 2009 until October 2021, when they were advised by their solicitor to incorporate it. SOF adopted the Model Articles for Private Companies Limited by Shares, with the addition of a provision restricting transfer of shares to outsiders. The company designs and installs office furniture and fittings; it has made steady profits since incorporation.

Dinara initially spent most of her time working for SOF but since mid-2023, she has devoted less and less time to the business. Consequently, Marius has been obliged to manage the company almost entirely on his own for the last couple of years. He was, until recently, unaware of the reasons for Dinara's absence. However, he has now discovered that Dinara has been using company money to fund a lavish lifestyle with her partner on the French Riviera.

As a result of Dinara's prolonged absences, Marius and his co-workers have been struggling to cope with the workload, with a consequent reduction in turnover. SOF employs only an additional three people; there had been four additional employees but in March 2025, one of them left abruptly after an argument with Dinara over a private matter. Dinara physically threatened the employee during the dispute.

Dinara unexpectedly turned up at the office a week ago and accused Marius of ruining the business. As a result of this, Marius walked out and has not returned.

Marius has now decided to start proceedings against Dinara. He wishes to be able to carry on the business and would like the court to order Dinara to sell her shares to him.

Advise Marius on the likelihood of success if he were to bring:

- a petition under section 994 of the Companies Act 2006; or
- a derivative claim against Dinara.

(25 marks)

Turn over

Question 2

Esther is the owner of a business that provides affordable shopping, delivery and home maintenance services for the elderly and vulnerable. The business '@We Care' has been approved by her local authority and is popular and busy. Esther employs six others in various roles, including two drivers and an administrative assistant. As the business has been so successful and is now recognised throughout the local community, Esther needs to expand and has decided to incorporate the business through a private limited company, which she is planning to call '@We Care Limited'.

Esther will be the company's sole shareholder and, initially, its only director. In due course, one of the current employees will be appointed as a second director. The rest of the current workforce of five will be retained as employees of the company.

Esther needs to upgrade her software to cope with the increase in business. She has identified a suitable package, which she is keen to get in place as soon as possible. The software company is offering an attractive price but this offer will expire before the company is incorporated. Esther, however, would prefer that the three-year licence for this is entered into by the company. She is worried about signing the contract before the company exists. She suggests writing something along the lines of 'Signed by Esther on behalf of @WeCare Limited' in the licence but also stating that no personal liability will arise for her.

Advise Esther:

- briefly on the benefits of incorporating the business;
- if she does so, the possible consequences for her if she enters into the software licence agreement before the company is formed, and;
- the options available to her to protect herself from these possible consequences.

(25 marks)

Question 3

Patsy, Rachel and Ivan are the shareholders of Fresh Fashions Limited (FFL); the company was incorporated in 2009. It is based in Milton Keynes and has a number of clothes shops across Northamptonshire and Bedfordshire. The three shareholders hold 77%, 12% and 11% respectively.

The company adopted the Model Articles for Private Companies. These are largely unamended, except for the addition of an article (numbered Article 18) that provides that any majority shareholder wishing to sell their shares must first offer them to the remaining shareholders. It further provides that the offer price for such shares is to be determined by the accountants.

A dispute has now arisen between the shareholders as to the meaning of 'the accountants'. Patsy claims that all the shareholders agreed it would mean the accountants retained as the company's auditors. Rachel and Ivan deny the shareholders agreed this and claim it would be reasonable to understand it as meaning an independent firm of accountants. Unfortunately, neither meaning was expressed in the articles.

Patsy has recently told Rachel and Ivan that she is going to sell her shares to a friend of hers and not offer them to Rachel and Ivan. She is also threatening to hold a general meeting to remove Article 18.

Advise Rachel and Ivan:

(a) whether they can enforce Article 18 against Patsy and how the court would deal with the disagreement about the meaning of the term 'the accountants' in the Article;
(15 marks)

(b) on any means by which they might prevent Patsy from removing Article 18.
(10 marks)

(Total: 25 marks)

NOTE TO CANDIDATES: DO NOT discuss in your answer the remedies available under section 994 of the Companies Act 2006 or section 122(1)(g) of the Insolvency Act 1986.

Turn over

Question 4

You have been given the following information by a current client, Annina Bloch, who is a creditor of The Hi Energy Group Limited (HEG) which owns a chain of six fitness centres in the Midlands.

HEG has four directors, Selma, Theresa, Uche and Vasili, who were all appointed in 2019 when the company was incorporated. It adopted unamended Model Articles for Private Companies at that time. HEG currently has seven shareholders.

On incorporation, HEG took a bank loan of £600,000, secured with a fixed charge on the company's premises that was duly registered. Two of the directors also provided personal guarantees for this loan. In addition, in 2021 Annina Bloch lent £176,000 to HEG, secured by a floating charge over the company's book debts. This charge was also registered.

Selma is HEG's chief executive; she is an accountant with considerable business experience. Theresa manages the fitness classes for the chain but has little business experience; she focuses on training staff and organising the class schedules for the centres. Uche had previously run his own gym before becoming a director of HEG; he has been absent from HEG for over nine months. Lastly, Vasili was appointed as a director six months ago. He is 27 and a qualified personal trainer, delivering classes and one to one fitness sessions at HEG.

Annina is concerned about the solvency of HEG as its accounts show that it made losses in the last two accounting periods. This is in part as a consequence of the Covid pandemic and cost of living crisis. However, she has discovered that Selma has not only been taking extended holidays over the last year but has also recently secured additional loan finance from a new creditor by persuading them that the business was progressing well. Until about 18 months ago, the board held monthly meetings that were minuted. However, there have been no board meetings for the last six months and company records have not been maintained. Annina knows she is entitled to request company records from time to time as a term of the floating charge.

Annina is now considering what action she could take in relation to her floating charge. The terms of her charge document seem to suggest she has the power to apply to put the company into administration.

Advise Annina:

(a) whether she can seek to put HEG into administration and, if so, how; **(8 marks)**

(b) what action an administrator could then take in relation to the HEG directors in light of the given facts. **(17 marks)**

(Total: 25 marks)

End of the examination