



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

Unit 16 – The Practice of Company and Partnership Law

Case study materials

January 2023

Information for candidates

- You should familiarise yourself with these case study materials before the examination, taking time to consider the themes raised in the materials.
- You should consider the way in which your knowledge and understanding relate to these materials.
- In the examination you will be presented with a set of questions which will relate to these materials.
- You may discuss these materials with your tutor(s).

Instructions and information to candidates during the examination

- You are allowed to take your own clean/unannotated copy of this document into the examination. Alternatively, you can access the electronic version of this document in the examination.
- You are allowed to take your own unmarked copy of the following designated statute book into the examination – **Blackstone’s Statutes on Company Law 26th edition, Derek French, Oxford University Press, 2022.**
- You must comply with the CILEX Exam Regulations – Online Exams at Accredited Centres/CILEX Exam Regulations – Online Exams with Remote Invigilation.

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ADVANCE INSTRUCTIONS TO CANDIDATES

You are a trainee lawyer working in the Corporate Department of Kempstons LLP, Solicitors, The Manor House, Bedford, MK42 7AB. You arrive at work to find the following memorandum from your supervising partner, Mandeep Singh, awaiting your attention.

**KEMPSTONS LLP
INTERNAL MEMORANDUM**

To: Trainee Lawyer

From: Mandeep Singh

Date: [Today's date]

Matters: Various

I have four matters that I would like you to assist me with. I set out some background information below.

1. Hertfordshire Pond Design & Maintenance

Abdul Karim, Bree McDonald and Conor Grant met in 2019 when they were undertaking a landscaping qualification. After their course ended in 2020, they decided to go into partnership together, trading as Hertfordshire Pond Design and Maintenance (the 'Partnership'). When the Partnership was set up, the partners did not take legal advice and just set out their agreed terms in a simple written document, which they all signed. This document is attached as **Document 1**.

Unfortunately, the business is struggling financially and has been making a loss for the past six months. Abdul and Conor are unhappy with Bree's recent conduct. They have discovered that during the past six months, she has been spending most of her time working for her husband's competing landscaping business. Abdul also recently discovered that Bree has been regularly using the Partnership's digging equipment in her husband's business.

2. Darius Ionescu and Eamonn Murphy – new business venture

Darius and Eamonn have been in to see me to discuss their plans for a new business venture and to explore the options for the different types of business structure that they could use. They have designed a new type of fabric, which has UV blocking capabilities. They plan to manufacture hats and other summer clothing and have already found a suitable manufacturer with whom they wish to sign a contract as soon as possible. The clients want to set up their business quickly so that they have stock ready to sell in time for the summer 2023 season.

Darius and Eamonn each plan to invest equal capital into the business and want to ensure that their liability is limited. They want an equal say in the ownership and management of the business. Darius and Eamonn want to keep the management and regulation of their

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business as simple as possible and would like to ensure that they both agree on all decisions that are made. Initially, they plan to operate the business from Darius' home address at The Grange, Ickleford, Hertfordshire, and to use that address as the registered office. We have a shelf company available should it be needed - further details are set out in **Document 2**.

3. Picture Frames to You Limited

We have acted for Picture Frames to You Limited since it was incorporated in 2019. Picture Frames to You Limited is performing well but now requires additional capital, and we have been asked to advise it on its available options. The additional capital is needed to fund future expansion plans. An email from the managing director, Felicity Zhang, is attached (**Document 3**).

4. Zara Ahmed - issues with Drywall Limited

Zara Ahmed is a long-standing client of the firm, and we are being asked to advise her in relation to some issues she is having in connection with her role as a director of Drywall Limited. Zara is a qualified accountant and has serious concerns about the finances of Drywall Limited, as well as her duties as a director. Zara is worried about her recent exclusion from Board Meetings and is aware of plans to try to remove her as a director.

Minutes from the recent Board Meeting are attached (**Document 4**) as well as a Company Search Report for Drywall Limited (**Document 5**).

Please carefully review the information set out in the documents attached and prepare as necessary so that you can assist.

You will find the following documents attached to this memorandum.

- DOCUMENT 1:** Partnership Agreement (File: Hertfordshire Pond Design & Maintenance)
- DOCUMENT 2:** Company Search Report – shelf company (File: Darius Ionescu and Eamonn Murphy)
- DOCUMENT 3:** Email from Felicity Zhang (File: Picture Frames to You Limited)
- DOCUMENT 4:** Board Minutes of Drywall Limited (File: Zara Ahmed)
- DOCUMENT 5:** Company Search Report – Drywall Limited (File: Zara Ahmed)

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Partnership Agreement

Date: 20 March 2020

Parties: Abdul Karim, Bree McDonald, Conor Grant

Trading as: Hertfordshire Pond Design & Maintenance

1 Capital and Profits

Each Partner will share in the profits in proportion to their capital contribution, which is:

Abdul: £10,000

Bree: £5,000

Conor: £10,000

2 Salary

Each Partner shall be entitled to a salary. The amount of such salary will be agreed annually by a unanimous vote of the Partners.

3 Ownership of partnership assets

Any assets purchased for use by the Partnership and with Partnership money will belong to the Partnership and be for the exclusive use of the Partnership.

4 Expulsion of Partner by majority

Any Partner can be expelled from the Partnership by a majority vote.

Signed by:

Abdul Karim

Bree McDonald

Conor Grant

DOCUMENT 2

Kempston Shelf Co X0737299 Limited - Company Search Report

Name of Company		Kempston Shelf Co X0737299 Limited	
Company Number		X0737299	
Company Type		Private company limited by shares	
Date of Incorporation		12 November 2022	
Previous Names		None	
Registered Office		Kempstons LLP, Solicitors, The Manor House, Bedford, MK42 7AB	
Accounting Reference Date		30 November	
Accounts	Last filed	Next due for period to	Overdue
	N/A	30 November 2023	N/A
Current Directors and Secretary	Directors		Secretary
	Pierre Dubuisson Mandeep Singh		None
Share Capital	Issued	Class	Amount paid up
	£2	Ordinary £1	£1 per share
Shareholders	Name	Class	No. of shares
	Pierre Dubuisson	Ordinary £1	1
	Mandeep Singh	Ordinary £1	1
Undischarged Mortgages or Charges			
Chargee	Date of Charge	Amount Secured	Description of Charge (including assets secured and whether there is a negative pledge)
N/A			N/A
Memorandum of Association			
Standard			
Articles of Association			
Model Articles for private companies limited by shares		Amended – Model Article 13 removed	
Other information		Yes/No	(Include copies of relevant documents)
Appointment of receiver/administrator/winding-up order		NO	
Authority to allot shares under section 551 CA 2006		NO	
Any other comments		NONE	
Report completed by:		MS	Date January 2023

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EMAIL

From: Felicity.Zhang@PFTY.com
To: Mandeep.Singh@kempstonsllp.com
Date: [Today's date]
Re: Picture Frames to You Limited (the 'Company') – funding plans for expansion

Hi Mandeep

I hope you are well. I am pleased to report that the Company is doing really well and is making a healthy profit! Since we spoke to you last, the Company has purchased a small warehouse, in which we hold our stock, and a second-hand van for making deliveries.

To ensure that the Company can continue to grow and fulfil its orders, we need to secure additional finance to obtain bigger premises and computer equipment. Since we started trading, the other shareholder (Raymond Tsang) and I have each invested £10,000 and now each hold a total of 10,000 ordinary shares of £1 each in the capital of the Company. Raymond and I are the only two Directors and we still have the same unamended Model Articles as when we incorporated the Company.

We have identified two possible sources of finance - a potential new shareholder called Jas Alhitty and a secured bank loan from HertsBank plc.

Jas has indicated that he would be willing to invest £20,000 in the Company, in return for 5,000 ordinary shares and 15,000 preference shares (carrying preferential rights to dividends and on winding up). Jas has indicated to me that he does not want to be a director of the Company.

HertsBank plc is prepared to lend £20,000 to the Company, subject to their standard form Loan Agreement, as well as the grant of fixed and floating charges by the Company over its assets.

I look forward to meeting you soon so that I can get some advice from you about our future plans.

Kind regards
Felicity

BOARD MINUTES

MINUTES OF A MEETING OF THE BOARD OF DIRECTORS
OF DRYWALL LIMITED (the 'Company')
HELD AT UNIT 60, LEAGRAVE INDUSTRIAL ESTATE, LUTON
ON 16 JANUARY 2023

PRESENT: Adrian Burgess (Director and Chair)
Bolanle Timbunu (Director)

IN ATTENDANCE: N/A

1. Quorum

It was noted that in accordance with the Company's Articles of Association, the meeting was quorate.

2. Discussion of the Company's current financial situation

It was noted that the Company has received final requests for payment of outstanding invoices from four of its suppliers and that legal action to recover the monies has been threatened. It was also noted that the Company currently has insufficient funds to cover the next payroll at the end of this month.

After brief discussion IT WAS RESOLVED that the Company should continue trading despite its financial situation.

3. Removal of Zara Ahmed as a Director

It was noted that due to a recent disagreement over the Company's financial position, Adrian Burgess and Bolanle Timbunu have indicated that they would like to remove Zara Ahmed as a Director of the Company.

IT WAS RESOLVED that a General Meeting be called for the shareholders to consider removal of Zara Ahmed as a Director of the Company.

4. Close

There was no further business and the meeting was declared closed.

Adrian Burgess
Chair

DOCUMENT 5
Drywall Limited - Company Search Report

Name of Company		Drywall Limited	
Company Number		X9120123X	
Company Type		Private company limited by shares	
Date of Incorporation		1 April 1995	
Previous Names		None	
Registered Office		Unit 60, Leagrave Industrial Estate, Luton, Bedfordshire	
Accounting Reference Date		31 March	
Accounts		Last filed	Next due for period
		1 June 2022	31 March 2023
Current Directors and Secretary		Directors	Secretary
		Bolanle Timbunu Adrian Burgess Zara Ahmed	None
Share Capital		Issued	Class
		£100,000	Ordinary £1
Shareholders		Name	No. of shares
		Bolanle Timbunu Adrian Burgess Zara Ahmed	40,000 40,000 20,000
Undischarged Mortgages or Charges			
Chargee	Date of Charge	Amount Secured	Description of Charge (including assets secured and whether there is a negative pledge)
N/A			N/A
Memorandum of Association			
Standard			
Articles of Association			
Model Articles for private companies limited by shares		Amended – contains weighted voting rights in favour of Zara Ahmed in respect of any proposal to remove her as a Director	
Other information		Yes/No	(Include copies of relevant documents)
Appointment of receiver/administrator/winding-up order		NO	
Authority to allot shares under section 551 CA 2006		NO	
Any other comments		NONE	
Report completed by:		MS	Date: January 2023

End of the case study materials