

CASE STUDY MATERIALS

January 2017

Level 6

THE PRACTICE OF COMPANY & PARTNERSHIP LAW

Subject Code L6-16



THE CHARTERED INSTITUTE OF LEGAL EXECUTIVES

UNIT 16 – THE PRACTICE OF COMPANY & PARTNERSHIP LAW *

CASE STUDY MATERIALS

Information for Candidates on Using the Case Study Materials

- This document contains the case study materials for your examination.
- In the examination, you will be presented with a set of questions which will relate to these case study materials. You will be required to answer **all** the questions on the examination paper.
- You should familiarise yourself with these case study materials prior to the examination, taking time to consider the themes raised in the materials.
- You should take the opportunity to discuss these materials with your tutor/s either face-to-face or electronically.
- It is recommended that you consider the way in which your knowledge and understanding relate to these case study materials.

Instructions to Candidates Before the Examination

- You will be provided with a clean copy of the case study materials in the examination.
- You are **NOT** permitted to take your own copy of the case study materials or any other materials including notes or text books except a Statute Book, where permitted, into the examination.
- In the examination, candidates must comply with the CILEx Examination Regulations.

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* This unit is a component of the following CILEx qualifications: **LEVEL 6 CERTIFICATE IN LAW, LEVEL 6 PROFESSIONAL HIGHER DIPLOMA IN LAW AND PRACTICE** and the **LEVEL 6 DIPLOMA IN LEGAL PRACTICE**

ADVANCE INSTRUCTIONS TO CANDIDATES

You work in the Corporate Department of Kempstons LLP, Solicitors, The Manor House, Bedford, MK42 7AB. You arrive at work to find the following memo awaiting your attention:

KEMPSTONS LLP

INTERNAL MEMORANDUM

To: Trainee Lawyer

From: Toby Young

Date: (Today)

Matter: Vastone Cycles

I have a meeting with Paul Vastone in the next few weeks and would like your assistance with the preparation for when we meet again.

I know Paul through my local cycling club; he was a keen amateur long-distance cyclist winning a number of races and was until recently building a career and gaining sponsorship. However, due to injury he has had to cut back on competing and has branched into bicycle repair and the sale of specialist equipment. He has been operating as Vastone Cycles out of a local café that is a cyclists' favourite. See the attached attendance note (**Document 1**) and email (**Document 2**).

It is a little unclear exactly what he is intending, but I hope to clarify this when we meet Paul. I have undertaken a search against The Stop Over Limited (**Document 4**) and reserved one of our shelf companies, should that be required (**Document 5**). The current directors and shareholders of the shelf company are partners at Kempstons. Please thoroughly review the attached documents and prepare accordingly so that you can assist me in this matter.

Toby

You find the following documents attached to the memo:

- DOCUMENT 1** Attendance note, Paul Vastone (File of Vastone Cycles)
- DOCUMENT 2** Email from Paul Vastone (File of Vastone Cycles)
- DOCUMENT 3** A copy of the latest accounts for Vastone Cycles, for the year ending 30 November 2016 (File of Vastone Cycles)
- DOCUMENT 4** Company Search The Stop Over Limited (File of Vastone Cycles)
- DOCUMENT 5** Company Search Kempston Shelf Co 558963214 Limited (File of Vastone Cycles)

DOCUMENT 1

ATTENDANCE NOTE

Date: (Today's date)

Client: Paul Vastone

File No.: 00/RW/289/SSE

Matter: Vastone Cycles

Telephone conversation with Paul Vastone (PV), who was calling to request a meeting for advice on an agreement he is planning to enter into with the Spencer family.

PV explained that the Spencer family run a number of small cafés, including 'Spencer's Café'. PV explained that the Spencer family comprises Tony and Sarah and their sons. PV currently operates his business out of Spencer's Café, a local haunt of keen amateur cyclists. There has been an increasing growth in cafés branching out so that they can take advantage of being on a particular cycling route. As Spencer's Café was already a regular stop-off point for cyclists, PV approached them about setting up a business from within their premises. PV initially started providing advice and cycle maintenance services, and has increased his activities by selling more specialised equipment. This has proved successful, and the café has seen an increase in trade as a result. PV explained that to help out with the administrative side of the business he involved from the start his sister-in-law, Gemma Burton (GB). GB, after having her second child, had decided that she did not want to return to work full time. PV and GB agreed that she should be paid a small share of the profit generated, currently 15%.

PV went on to explain that the owners of Spencer's Café, Tony and Sarah Spencer and their sons, had been looking into diversifying their business interests and viewed the café-cycling combination as the way forward.

They have recently acquired another building, an old café called 'The Stop Over' on another popular cycling route, which they have started to renovate. Originally they had been planning to use this as just a café. PV understands that the ownership of The Stop Over was transferred to a discrete entity, (The Stop Over Limited), so that it was kept separate from the Spencer's Café business. The Stop Over's renovation was financed by a commercial loan secured against the building itself – PV understands that as most of the work was undertaken by Tony and one of his sons', Andrew Spencer, the loan was predominately used to purchase building materials and other items needed for the renovation. The Stop Over is currently valued at about £150,000.

PV has already undertaken a number of 'pop-up' events at The Stop Over to enable him to judge the potential business interest for the cyclist community and to help the Spencer's generate interest in readiness for when they open it as a café early in the Spring.

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It now appears that discussions have moved on somewhat and the Spencer family have proposed that PV's business should be amalgamated with the entity owning The Stop Over.

I discussed with PV how this arrangement was intended to work. PV appeared a little confused as to what is being suggested by the Spencer family. He is unclear whether he is being invited to buy a stake in the entity owning The Stop Over.

PV said that he was due to meet with Andrew Spencer, (one of the sons who has been behind The Stop Over's renovation), at the weekend and would see what more he could establish. I suggested that we meet after that, but in the meantime I asked PV to provide a copy of his current business accounts and I would undertake a search against The Stop Over Limited.

Time in attendance: 2 units.

DOCUMENT 2

EMAIL

From: PVastone@VastonesCycles.co.uk
To: toby.young@kempstonsllp.com
Date: (Today)
Re: The Stop Over

Dear Toby

Thank you for your time this morning.

As I explained, the intention is for me and Gemma to get more involved in the running of my business out of The Stop Over. Gemma also wants to get more hands-on with the business; I am unsure about this as we recently had a bad experience with a supply order that Gemma had made but that I did not know about. Gemma is also saying that she should have a bigger share of the profit, stating that her current share does not take account of her expertise and business contribution.

Anyway, from the brief discussions that I have had with the Spencer family, they are keen that The Stop Over's activities are self-contained.

As requested I have included my last set of accounts (**Document 3**); you will see that I have managed to keep quite a lot of the profit within the business, which I was planning to use to expand my activities a little more. It now seems that I have the ideal opportunity to do so.

I'll be in touch, once I've spoken to Andrew Spencer, to confirm meeting up.

Kindest regards

Paul

Vastone Cycles

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DOCUMENT 3

**Vastone Cycles
Trading and Profit & Loss account
for the year ending 30 November 2016**

	£	£
Sales		178,000
<i>less cost of goods sold</i>		
Opening stock	2,000	
<i>add</i> Purchases	<u>28,000</u>	
	30,000	
<i>less</i> Closing stock	<u>(3,000)</u>	<u>(27,000)</u>
Gross Profit		151,000
 <i>less Expenses</i>		
Bad debts & provision	2,500	
Bank interest	300	
Depreciation	1,800	
Insurance	1,800	
Misc expenses	1,900	
Rates	3,500	
Rent	6,900	
Utilities	1,700	
Supplies	<u>22,300</u>	<u>(42,700)</u>
Net profit		<u>108,300</u>

**Vastone Cycles
Balance sheet as at 30 November 2016**

	£	£	£	£
Employment of Capital				
Fixed assets		Cost	Dep'n	NBV
Equipment		16,000	2,800	13,200
Vehicles		<u>12,000</u>	<u>800</u>	<u>11,200</u>
		<u>28,000</u>	<u>3,600</u>	24,400
Current Assets				
Stock		3,000		
Trade debtors	15,000			
<i>less</i> provision	<u>(500)</u>	14,500		
Pre-payment		500		
Cash at bank		<u>42,900</u>	60,900	
 <i>less Liabilities</i>				
Bank loan		10,600		
Trade creditors		3,000		
HM Customs & Excise		1,300		
Accrual		<u>1,500</u>	<u>(16,400)</u>	<u>44,500</u>
Net Assets				<u>68,900</u>
 Capital employed				
Capital				5,600
Retained profit to 30 November 2016				<u>63,300</u>
				<u>68,900</u>
 Calculation of retained profit to 31 December 2016				
Retained profit at 1 December 2016				1,000
Net profit for the year				<u>108,300</u>
				109,300
Drawings				<u>46,000</u>
Retained profit to 30 November 2016				<u>63,300</u>

DOCUMENT 4

THE STOP OVER LIMITED

Company Search

Name of Company		The Stop Over Limited	
Company Number		445699987	
Company Type		Private company limited by shares	
Date of Incorporation		28 March 2016	
Previous Names		None	
Registered Office		The Stop Over Cafe, Ashdown Road, Bedford, MK41 7EX	
Date of Last Annual Return		N/A	
Accounting Reference Date		30 November	
Accounts	Last filed	Next due for period to	Overdue
	N/A	30 November 2017	N/A
Current Directors and Secretary	Directors		Secretary
	Tony Spencer Andrew Spencer David Spencer Sarah Spencer		Sarah Spencer
Share Capital	Issued	Class	Amount paid up
	£100,000	Ordinary £1	£0.25 per share
Shareholders	Name	Class	No. of shares
	Tony Spencer	Ordinary £1	25,000
	Andrew Spencer	Ordinary £1	15,000
	David Spencer	Ordinary £1	25,000
	Sarah Spencer	Ordinary £1	25,000
	Mark Spencer	Ordinary £1	10,000
Undischarged Mortgages or Charges			
Chargee	Date of charge	Amount Secured	Description of Charge (including assets secured and whether there is a negative pledge)
Bedfordshire Bank Plc registered on 1 June 2016, £60,000			Fixed and floating charge in favour of Bedfordshire Bank Plc. The fixed charge is over The Stop Over, Ashdown Road, Bedford, MK41 7EX
Memorandum of Association			
Standard, unamended			
Articles of Association			

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<p>Model Articles for private companies limited by shares</p>	<p>Amended March 2016 for inclusion of Special Article restricting member transfer of shares to family, trust set up for the benefit of family members, a member’s personal representatives provided that by the will or law of intestacy the beneficial interest will devolve to a member of the family of the deceased member, or another member.</p>	
<p>Unusual documents</p>	<p>Yes/No</p>	<p>(Include copies)</p>
<p>Appointment of receiver/administrator/winding-up order</p>	<p>NO</p>	
<p>Any other comments</p>	<p>NO</p>	
<p>Report completed by:</p>	<p>FTR</p>	<p>Date: November 2016</p>

DOCUMENT 5

KEMPSTON SHELF CO 558963214 LIMITED

Company Search

Name of Company		Kempston Shelf Co 558963214 Limited		
Company Number		HEQ3900087A		
Company Type		Private company limited by shares		
Date of Incorporation		1 November 2016		
Previous Names		None		
Registered Office		The Manor House, Bedford, MK42 7AB		
Date of Last Annual Return		N/A		
Accounting Reference Date		31 December		
Accounts		Last filed	Next due for period to	Overdue
		N/A	31 December 2016	N/A
Current Directors and Secretary		Directors		Secretary
		Toby Young Susan Morris		Toby Young
Share Capital		Issued	Class	Amount paid up
		£2	Ordinary £2	£1 per share
Shareholders		Name	Class	No. of shares
		Toby Young Susan Morris	Ordinary £1 Ordinary £1	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				
Memorandum of Association				
Standard, unamended				
Articles of Association				
Model Articles for private companies limited by shares		Unamended		
Unusual documents		Yes/No		(Include copies)

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Appointment of receiver/administrator/ winding-up order	NO	
Authority to allot shares under section 551 CA 2006	NO	
Any other comments	NO	
Report completed by:	FTR	Date: November 2016

End of Case Study Materials

