

## CASE STUDY MATERIALS

January 2018  
Level 6  
THE PRACTICE OF COMPANY AND  
PARTNERSHIP LAW  
Subject Code L6-16



## THE CHARTERED INSTITUTE OF LEGAL EXECUTIVES

### UNIT 16 – THE PRACTICE OF COMPANY AND 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 textbooks except a Statute Book, where permitted, into the examination.
- In the examination, candidates must comply with the CILEx Examination Regulations.

***Turn over***

\* 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:** Esme Adams  
**Date:** [Today's date]  
**Matter:** James Spackman (various matters)

I need your assistance with this matter. I have a meeting with James Spackman in the next few weeks, and I would like your assistance with the preparation.

By way of background, James is a college friend of my daughter's from her university days and is a very talented illustrator. James undertook a combined degree in marketing and illustration. Initially, James picked up small commissions, but once he was able to get his work published in a couple of Sunday newspaper supplements, he came to more prominence. More recently, James has been illustrating children's books and has been working in collaboration with an aspiring children's author, Angela Fairborn. James phoned yesterday to ask for a meeting about various matters; see the attached attendance note (**Document 1**). The documents referred to in the attendance note have since arrived from James (**Documents 2 and 3**) and I have also undertaken a company search (**Document 4**).

I have arranged a meeting with James to come and see us – please brief yourself on the attached documents and prepare accordingly, so that you may assist.

*Esme*

---

You find the following documents attached to the memo:

- DOCUMENT 1** Attendance note (File of James Spackman (various matters))
- DOCUMENT 2** Letter from Stuart Greenstead, Managing Director of Greenstead Publishing House Limited (File of James Spackman (various matters))
- DOCUMENT 3** A copy of the latest accounts for Greenstead Publishing House Limited, for the year ending 01 November 2017 (File of James Spackman (various matters))
- DOCUMENT 4** Company Search for Greenstead Publishing House Limited (File of James Spackman (various matters))

## DOCUMENT 1

### ATTENDANCE NOTE

Date: [Today's date]

Client: James Spackman

File No.: 00/EA-001-474/JBWS

**Matter:** James Spackman (various matters)

Telephone conversation with James Spackman (JS); JS was calling to request a meeting in relation to a couple of matters.

#### **Jolly Little Books**

Jolly Little Books was a business venture that JS became involved with when he started to collaborate with Angela Fairborn (AF). JS explained that it was established as they started to work more closely together, with JS illustrating AF's stories. Because they struggled to be accepted by any of the major children's publishing houses, JS approached a number of small printers to have their books professionally printed, using some of his inheritance monies from his great-aunt.

JS and AF settled on the publishing name of 'Jolly Little Books'. The books were usually bound with laminated covers, including some that were saddle-stitched. Katherine Fairborn (KF), AF's sister, took on the role of trying to sell the books directly to bookshops, and more generally of trying to get potential publishing houses to pick up the title. Whilst something of a 'cottage industry', the books nevertheless did sell reasonably well, both via a website that KF established and at various fairs and school events.

JS explained they have all invested a considerable amount of time but, thus far, there has been little return. JS estimates that he has spent approximately £25,000 in helping to establish the business. This has covered the cost of printing books, attendance at fairs and various events, and funding for the website and its design. AF and KF have only invested about £15,000 between them.

Since the end of the summer, JS has now decided to become less involved in the running of the Jolly Little Books business, and more generally wishes therefore to withdraw from the collaboration with AF. JS has complained that KF has been ploughing back any profit they may be making with Jolly Little Books into flawed attempts to place more business. JS said that he had been arguing with KF, particularly over a number of dubious orders that she had placed and for which payment was now due. As a consequence, he and AF were finding it increasingly hard to collaborate together. The main disagreement has been over the sharing of the profits of the business. JS is demanding 60% of the profits, on the basis that he has invested over 60% of the capital and that his illustrations have been the main success factor. AF and KF are arguing that this does not take account of their contribution, both financially and in terms of work input.

**Turn over**

## **CASE STUDY MATERIALS**

JS is extremely unhappy with this state of affairs and has decided that he would prefer to focus his energy elsewhere. He has been looking around for potential opportunities. He has asked to discuss this when he comes in to meet with us.

### **Greenstead Publishing House Limited ('Greenstead')**

This is a venture that JS is seriously considering investing in.

Greenstead is a family-run business and has been in existence for some time now. It was set up by Stuart Greenstead and his wife, Elizabeth, both of whom were primary school teachers, to exploit a niche in the publication and distribution of children's books for schools, with a particular focus on developmental skills such as phonics for reading. The company has grown on the back of its family-orientated reputation and has developed a niche for itself.

Last year, Gay Greenstead, Stuart and Elizabeth's daughter, joined Greenstead. Gay had previously worked for one of the 'silver circle' law firms, and had become disillusioned on returning to work after a period of maternity leave. With her assistance, the company has managed to streamline its operations further, discharging a substantial portion of the debt the company was carrying.

JS met with Stuart Greenstead, Greenstead's Managing Director, and has been persuaded that the time is right not only to join the company as an in-house illustrator, but also to develop the marketing of some of the existing titles, possibly with a view to overseeing their adaptation for television programmes. To date, Greenstead has only dabbled in exploiting its intellectual property in this way and by all accounts it may not have been terribly successful. Stuart Greenstead wants both JS and Gay to take over this aspect of the business and to develop it further.

As part of his discussions with Stuart Greenstead, a number of supplier and customer issues have arisen, and JS is looking for advice in relation to any implications that these may have on Greenstead's business. One particular supplier, Sustainable Paper Supplies Limited ('SPS') has been quite frank with Stuart Greenstead, reporting that SPS had been making losses recently.

Apparently, one of the directors of SPS, David Balls, has said that several trade creditors are pressing SPS for payment, and in the last five days it has been served with statutory demands by four of them. SPS seems not to have sufficient funds to settle these demands. It has non-preferential unsecured creditors that are owed about £220,000 and who would receive very little in the event that the company goes into liquidation. None of this has stopped SPS from placing further orders with its own suppliers. To tide the company over its cash flow problems, SPS's bank, Bedford Bank plc, lent the company £250,000 approximately 18 months ago. This was secured by a fixed charge over the freehold office premises. SPS borrowed a further £35,000 from Hertfordshire Bank plc six months ago; this was not secured by any charge.

JS said that he would explain further the details of this issue and his potential involvement when we meet, and he would forward a copy letter and management accounts (which are currently with JS's accountants for review) in the interim.

**Time in attendance: 5 units.**

DOCUMENT 2

*Greenstead Publishing House Limited*

Power Station Buildings  
Wapping, London E1W 3FX

[November 2017]

James Spackman  
21 Lime Close  
Wapping  
London  
E1W 2SX

Dear James

**Business expansion**

I refer to our telephone conversation this morning.

Thank you for your agreement to become involved further with the company – one of the immediate concerns is how we best exploit our various titles in the television market. As explained, we are currently in discussions with a number of interested parties and we expect at least one to invest to help us fund this further, but this will require the existing shareholders to invest further also. With your illustration and marketing experience, this will no doubt be a great benefit to us and you.

We now feel that Greenstead Publishing House Limited must take advantage of the opportunity that the market presents, which really means that we need to consider options for expansion. With your expertise and sector knowledge, I am confident of our future success.

I attach a copy of the company's last accounts, made up to 01 November 2017, which have not yet been filed at Companies House. I look forward to meeting you again next month to formalise your introduction into the company's operations.

Yours sincerely

*Stuart Greenstead*

Managing Director

## DOCUMENT 3

**Greenstead Publishing House Limited**  
**Profit & loss account for the year ending**  
**01 November 2017**

	<b>£</b>
Turnover	12,250,000
Cost of sales	<u>7,280,000</u>
<b>Gross Profit</b>	4,970,000
Administrative costs	<u>1,290,000</u>
	3,680,000
Income from associated undertakings	<u>-</u>
<b>Operating Profit</b>	3,680,000
Extraordinary items	<u>-</u>
<b>Profit On Ordinary Activities</b>	3,680,000
Interest payable	<u>65,000</u>
Profit on ordinary activities before tax	3,615,000
Taxation	<u>723,000</u>
<b>Profit For Year</b>	2,892,000
Dividends	<u>2,000,000</u>
<b>Retained Profit For The Year</b>	<u><b>892,000</b></u>

**Greenstead Publishing House Limited**  
**Balance sheet as at**  
**01 November 2017**

	<b>£</b>
<b>Fixed Assets</b>	
Tangible assets	<u>795,000</u>
	795,000
<b>Current Assets</b>	
Stocks	55,000
Debtors	150,000
Cash at bank	<u>295,000</u>
	1,295,000
<b>Creditors due within 1 year</b>	
Trade creditors	42,000
Other creditors	<u>36,000</u>
	(78,000)
<b>Net Current Assets</b>	422,000
<b>Total Assets less Current Liabilities</b>	1,217,000
<b>Creditors due after 1 year</b>	<u>(267,000)</u>
<b>Net Assets</b>	<u><b>950,000</b></u>
<b>Capital &amp; Reserves</b>	
Paid up share capital (50,000 ord £1 shares)	25,000
Profit & loss account	<u>925,000</u>
	<u><b>950,000</b></u>

**GREENSTEAD PUBLISHING HOUSE LIMITED**

## Company Search

Name of Company		<b>Greenstead Publishing House Limited</b>		
Company Number		9867475		
Company Type		Private company limited by shares		
Date of Incorporation		15 April 1979		
Previous Names		None		
Registered Office		Power Station Buildings, Wapping, London E1W 3FX		
Date of Last Annual Return		N/A		
Accounting Reference Date		01 November		
Accounts		Last filed	Next due for period to	Overdue
		N/A	01 November 2017	N/A
Current Directors and Secretary		Directors		Secretary
		Stuart Greenstead Elizabeth Greenstead Gay Greenstead		Elizabeth Greenstead
Share Capital		Issued	Class	Amount paid up
		£50,000	Ordinary £1	£0.50 per share
Shareholders		Name	Class	No. of shares
		Stuart Greenstead	Ordinary £1	20,000
		Elizabeth Greenstead	Ordinary £1	20,000
		Gay Greenstead	Ordinary £1	10,000
Undischarged Mortgages or Charges				
<b>Chargee</b>	<b>Date of Charge</b>	<b>Amount Secured</b>	<b>Description of Charge (including assets secured and whether there is a negative pledge)</b>	
Cotton Bank Plc registered on 31 May 2008, £450,000			Fixed and floating charge in favour of Cotton Bank Plc registered on Power Station Buildings, Wapping, London E1W 3FX	
Memorandum of Association				
Standard, unamended				
Articles of Association				
Model Articles for private companies limited by shares		Amended January 2012 for inclusion of Special Article restricting member transfer of shares to family, trust set up for the benefit of the member of her family, 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.		

**Turn over**

**CASE STUDY MATERIALS**

Unusual documents	Yes/No	(Include copies)
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:	JZE	Date: November 2017

**End of Case Study Materials**