



**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:

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**KEMPSTONS LLP**

**INTERNAL MEMORANDUM**

**To:** Trainee Lawyer  
**From:** Derek Ryan  
**Date:** [Today's date]  
**Matter:** Party Children Party Limited

Martin Taylor of Party Children Party Limited is coming to see me shortly – please brief yourself on the attached and prepare accordingly, so that you may assist.

*Derek*

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You find the following documents attached to the memo:

- DOCUMENT 1** Email from Martin Taylor, Managing Director of Party Children Party Limited
- DOCUMENT 2** A copy of the latest accounts for Party Children Party Limited, for the year ending 30 September 2018
- DOCUMENT 3** Email from Derek Ryan (Party Children Party Limited file)
- DOCUMENT 4** Draft Guarantee to GDF Bank PLC (Party Children Party Limited file)
- DOCUMENT 5** Company search, Party Children Party Limited
- DOCUMENT 6** Email from Derek Ryan (Martin Taylor; commercial file)

DOCUMENT 1

EMAIL

From: mtaylor@partychildrenparty.co.uk  
To: dr@kempstonsllp.com  
Date: [Today's date]  
Re: Expansion plans

Dear Derek

I refer to our telephone conversation yesterday. I am sorry that it was a little brief. Thank you for your agreement to advise the company on its expansion plans. One of our immediate concerns is to determine how best to finance them.

The company has been in business for about four years. We have managed to develop a niche market for well-priced but high-quality children's parties. We typically run themed events, and with the resurgence of the Marvel Comics genre, we run a particularly successful line in 'superhero' parties that cater for both boys and girls.

We have already managed to expand the business locally and have even managed to franchise some of what we do more widely. But we need to generate finance, so that we can fund the recruitment of staff, particularly creative talent, to keep our ideas fresh. There is also an increasing demand for more baby and toddler classes during the day, to encourage learning. This market is competitive, but we have plans that will help to distinguish us from others. However, we need investment to train those running the classes and to build up a stock of puppets and other toys, and to create our own music and our brand.

We have recently been working with Professor Paul Long, a renowned Child Behaviourist and Psychologist. Paul is employed by the Kempston Children's Care Institute. He works with children who have emotional and behavioural challenges such as anxiety, lack of confidence, self-belief and self-esteem – typically a group that is often excluded from parties. Paul initially approached us to see whether his theory that such children are excluded/not invited to parties had substance. Since working with Paul, we have increasingly noticed that parents arranging events with us often don't extend invitations to children they regard as potentially 'difficult'.

As a company, we are unhappy about this, and while we cannot insist on whom parents invite, we want to do something for such children and help parents to realise that they need to widen their invitations to all their children's friends.

**Turn over**

## CASE STUDY MATERIALS

In conjunction with Paul, we have been approaching therapy centres and alike to establish whether there is a market for wider inclusionary parties, and to discuss what we can do that would benefit those that they have on their books. We have also been working with local councils and schools, to identify how to run events, so that all children in a class are invited and feel included. Paul has helped us develop a programme of activities that will be promoted as 'parties', but will have underlying educational benefits for all participating. We want to target children up to the ages of 8–9.

Provided that all these plans prove successful, it means that we will be able to develop our core business and use this as a means by which to run our more inclusionary programme of activities at cost.

I suggest that we chat again today. In the meantime, I attach a copy of the company's last accounts made up to 30 September, which have just been filed at Companies House (**Document 2**). I look forward to meeting you.

Yours sincerely

*Martin Taylor*

Managing Director,  
Party Children Party Limited



DOCUMENT 3

EMAIL

From: dr@kempstonsllp.com  
To: legalexec@kempstonsllp.com  
Date: [Today's date]  
Re: Party Children Party Limited (PCP)

I spoke again to Martin Taylor earlier this morning and gleaned a little more about PCP's expansion plans.

There is a little more to Professor Paul Long than Martin's email suggests. This is effectively the start of an in-depth collaboration by PCP with both Paul and the Kempston Children's Care Institute (the 'Institute'). The negotiations have been led by Martin and Tracey Taylor.

While Professor Paul Long is a leading authority in the area, his research is the intellectual property of the Institute, but under his terms of employment, he will benefit from any commercial exploitation by the Institute, as is common with academic and research institutions. Accordingly, it is possible for Professor Long to collaborate and share his research with PCP only, if the Institute expressly grants consent.

The expectation is that the collaboration will see sufficient advances in behavioural science that PCP will be able to target and make substantial gains in its market share. The Institute sees PCP as a means by which to further its charitable aims and to capitalise on its investment in Professor Long's research.

Negotiations are already some way down the track, and draft heads of agreement have been prepared. The main points are:

1. The Institute and PCP will mutually exchange and share their knowledge on associated child behavioural issues. This will be done by:
  - a. the Institute granting a licence to PCP to use all its proprietary intellectual property associated with Professor Long's research;
  - b. the Institute entering into a confidentiality agreement and undertaking to keep secure and not disclose any information that PCP supplies to Professor Long and his colleagues at the Institute;
  - c. all developments resulting from the collaboration being the proprietary intellectual property of PCP.
2. The Institute is also looking to provide finance to PCP. The actual amount and the means by which it will be made is still to be determined, but Martin has said that the Institute will use any profits generated to further research.

## **CASE STUDY MATERIALS**

3. Given the substantial investment by the Institute, the expectation is that the current director/shareholders of PCP will also contribute finance. How this will materialise has yet to be confirmed.

For personal reasons, however, Jenny Collins, one of the existing directors of PCP, who has lately been suffering with stress, is stepping down from the company and will sell or transfer her shares in the company.

4. Professor Long's relationship with PCP is likely to be formalised. He has also been given consent to invest in the venture. In addition, to further encourage Professor Long, Martin has also agreed in principle that PCP will make a personal guarantee to GDF Bank PLC in respect of any loan made to Professor Long to enable him to relocate nearer to PCP. Martin has forwarded the attached draft form of guarantee (**Document 4**).

As you prepare for our meeting with Martin, please make sure that you are fully conversant with the above.

Derek

***Turn over***

DOCUMENT 4

DRAFT GUARANTEE

To GDF Bank PLC  
GDF Buildings  
71 High Street  
Bedford

[ ] 2019

**Party Children Party Limited** (registered number ), in consideration of your entering into a loan agreement dated 2019 ('the Agreement') with Professor Paul Long, Sittingbourne, Kent ('the Principal'), unconditionally guarantees the due payment of all money payable under the Agreement, and shall pay to you immediately on demand any money so payable.

Party Children Party Limited further agrees that this guarantee shall not be affected by any time or other indulgence which you may see fit to grant to the Principal.

The paper on which this guarantee is written shall remain at all times the property of the Bank.

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Signed: **Martin Taylor**

## DOCUMENT 5

**PARTY CHILDREN PARTY LIMITED**

Company Search

Name of Company	<b>Party Children Party Limited</b>		
Company Number	RTYE7784301		
Company Type	Private company limited by shares		
Date of Incorporation	11 November 2014		
Previous Names	None		
Registered Office	Garnett Laboratories, Iffley Road, Oxford OX1 2DF		
Date of Last Confirmation Statement	30 September 2018		
Accounting Reference Date	30 September		
Accounts	Last filed	Next due for period to	Overdue
	30 September 2018	30 September 2019	N/A
Current Directors and Secretary	Directors		Secretary
	Martin Taylor Tracey Taylor Helena Odegbune Jenny Collins		Helena Odegbune
Share Capital	Issued	Class	Amount paid up
	£15,000	Ordinary £1 15,000	£1 per share
Shareholders	Name	Class	No. of shares
	Martin Taylor	Ordinary £1	7,500
	Tracey Taylor	Ordinary £1	4,500
	Helena Odegbune	Ordinary £1	1,000
	Jenny Collins	Ordinary £1	1,500
	Amel Farag	Ordinary £1	500
			<b>Turn over</b>

**CASE STUDY MATERIALS**

Undischarged Mortgages or Charges			
Chargee	Date of charge	Amount Secured	Description of Charge (including assets secured and whether there is a negative pledge)
Cotton Bank Plc	4 September 2017	All monies	Legal mortgage over land and buildings at various sites, fixed charges over all plant and machinery and floating charge over the undertaking with negative pledge
Articles of Association			
			Model Articles for private companies limited by shares (with pre-emption rights on transfer of existing shares)
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:		PR	Date: May 2019

DOCUMENT 6

EMAIL

From: dr@kempstonsllp.com  
To: legalexec@kempstonsllp.com  
Date: [Today's date]  
Re: Martin Taylor (commercial file)

I had another telephone call from Martin Taylor, this time on a different business venture that he has been involved in.

Approximately 18 months ago, Martin, his daughter Sophie, and a college friend of Sophie's, Krystal Torres, entered into business together. Sophie and Krystal met while they were both taking a Fashion degree course, and have subsequently started making 'prom' dresses for school-leaver events. It was agreed that Krystal and Sophie would run the business, and that Martin would not take any part in the running of the business.

No other terms were discussed or agreed, other than that Krystal and Sophie would put £25,000 each into the business, while Martin would contribute £50,000. Problems have now arisen, particularly as there is apparently no formal agreement, nor is the business incorporated. Consequently, Martin has now decided to involve himself in the running of the business.

It appears that aspects of the relationship between the three of them have become rather acrimonious, and they are disagreeing over a number of issues, particularly over expanding the business and over creative influences. Additionally, there are concerns over the sharing of the profits of the business. Martin is now looking to receive 50% of all of the profits, on the basis that he has invested 50% of the capital. Krystal is arguing that, until now, only Krystal and Sophie have been working full-time for the business, while Martin has not.

Martin and Sophie are extremely unhappy with this state of affairs, and have decided that they would prefer to carry on the business on their own. Whatever arrangement Martin and Sophie enter into, Martin wants Sophie to remain focused on the business and not to be distracted. Martin mentioned that he anticipates having a significant involvement, to help Sophie establish the business, and eventually transfer his interest to Sophie.

Martin will explain more when he comes in to meet us. When we do meet with Martin, please ensure that you record the time carefully, as we will have to attribute the time to two different matters.

Derek

**End of Case Study Materials**

