



June 2022

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

- A clean/unannotated copy of the case study materials is attached to this examination.
- You are permitted to take your own clean/unannotated copy of the case study materials and a statute book, where permitted, into the examination. You are **NOT** permitted to take any other materials including notes or textbooks.

Turn over

CASE STUDY MATERIALS
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: Fatima Khan

Date: (Today's date)

Matters: Various

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

1. Butler's Bedding

Chloe Butler contacted me to discuss plans she has for expanding her business. The firm assisted Chloe with the purchase of her last home. She has now approached us for advice in relation to the business that she owns and runs, selling high quality bedding and bedroom accessories. She and her team also produce designs for duvet covers and pillowcases, which Chloe has printed locally. They are then sold alongside Butler's Bedding's other products in various retail outlets, both department stores and independent shops. Further information is set out in the Attendance Note attached as **(Document 1)**. **(Document 2)** is also attached for information.

2. Sona Mehta – potential involvement in Westcote Interiors

Sona works for Chloe Butler, as a designer and assisting with the marketing of Butler's Bedding. Sona has asked us for advice on another business venture, Westcote Interiors, that she has been invited to invest in. Further information is set out in the Attendance Note attached as **(Document 3)**.

3. Hoxton Frozen Foods Limited ('HFF')

On a separate matter unrelated to the above, we will be advising the board of HFF about issues raised in the email from Enrico Costa, the CEO of HFF, attached as **(Document 4)**. I also attach the results of a company search for HFF **(Document 5)**. HFF has been a client for about five years.

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

CASE STUDY MATERIALS

You will find the following documents attached to this Memorandum.

DOCUMENT 1: Attendance note, relating to request for advice from Chloe Butler in relation to her business, Butler's Bedding.

DOCUMENT 2: Company search (Kempston Shelf Co X062022X Limited)

DOCUMENT 3: Attendance note relating to a request for advice from Sona Mehta in relation to a potential involvement in Westcote Interiors.

DOCUMENT 4: Email from Enrico Costa (File of Hoxton Frozen Foods Limited)

DOCUMENT 5: Company search (Hoxton Frozen Foods Limited)

Turn over

DOCUMENT 1

ATTENDANCE NOTE

Date: (Today's date)
Client: Chloe Butler, trading as Butler's Bedding
File No: KLLP/0845636
Matter: Possible expansion of Butler's Bedding

Telephone conversation with Chloe Butler

Chloe reminded me that she had set up her business as a sole trader selling high quality bedding about seven years ago and gave me the following information.

The business operates from a small industrial unit on the edge of Northampton. Here it receives and packs the products for distribution to its retail outlets. The design team also works from here, but the printing of the designs takes place in Milton Keynes. Chloe currently employs eight people, including Nathan Mahendra and Sona Mehta. Sona is one of the design team. Both Sona and Nathan have indicated that they would like to invest in the business in some way, rather than merely remaining as employees. All three are keen to limit their exposure to liability.

The business has been expanding over the last few years, despite the pandemic. Chloe has recently secured what should be a lucrative contract to supply the bedding they print to a large national department store chain. Further, Chloe believes that lockdown has resulted in people undertaking home improvements and taking time to look for quality products.

In addition, the business premises have become rather cramped as the workforce has expanded and a greater volume of products is passing through. Chloe has her eye on an adjacent business unit, that is due to become available in the next couple of months. This would suit her needs quite adequately.

Chloe feels it is a good time to seek additional investment, over and above what Nathan and Sona could contribute, that could help fund expanding the premises or even a move to a larger unit. Chloe has been talking to private equity firms and investors for external investment to help fund the plans.

In the last accounting year (to 31 March this year), Butler's Bedding made taxable profits of £135,000. Chloe's business advisers anticipate such levels will continue. The business overall is currently valued at approximately £450,000.

DOCUMENT 2

Kempston Shelf Co X062022X Limited - Company Search Report

Name of Company		Shelf Co X062022X Limited	
Company Number		X062022X	
Company Type		Private company limited by shares	
Date of Incorporation		20 April 2022	
Previous Names		None	
Registered Office		Kempstons LLP, Solicitors, The Manor House, Bedford, MK42 7AB	
Accounting Reference Date		30 April	
Accounts		Last filed	Next due for period to
		N/A	30 April 2023
Current Directors and Secretary		Directors	Secretary
		Pierre Dubuisson Fatima Khan	None
Share Capital		Issued	Class
		£2	Ordinary £1
Shareholders		Name	No. of shares
		Pierre Dubuisson Fatima Khan	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		Unamended	
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:		FMK	Date: April 2022

Turn over

DOCUMENT 3

ATTENDANCE NOTE

Date: (Today's date)
Client: Sona Mehta (new client)
File No: KLLP/0845656
Matter: Potential investment in Westcote Interiors

Telephone conversation with Sona Mehta, a new client, in relation to her potentially joining the business, Westcote Interiors. Chloe Butler recommended us to Sona.

Sona outlined some background to Westcote Interiors. This business, set up six years ago, is run by Federica Buoni and Grace Noble, providing interior décor and design services to customers across central England. Three other people work for the business, including Max, mentioned below.

As far as Sona understands, Federica and Grace share the responsibility for running the business. Both Federica and Grace contributed the original capital, and they share 90% of the profits equally between them. A third person, Grace's stepson, Max, joined the business about two years ago, contributing a small amount of capital, and he currently takes the remaining 10% of profits.

Apparently however Max is now looking to move on, which is why Federica and Grace have approached Sona, whom they know from college, to join the firm. They have not yet specified in what capacity that would be. The only thing they have said, is that, as Sona has such a good reputation as a designer, they want to add her name to the Westcote Interiors website and brochures as soon as possible.

Sona also mentioned that, in a recent conversation, Federica had indicated that Max has caused a few problems. He joined the business principally to act as its marketing lead, presenting at trade fairs for example. However, recently, and without consulting Federica or Grace, who are both the principal buyers, he has placed orders for a large quantity of high-end fabrics and pieces of furniture from Italy that are much more expensive than the business usually purchases for clients.

According to Sona, Chloe Butler has said she would be happy for Sona to be involved with Westcote Interiors, on a part-time basis. The arrangement could even result in extra business for Butler's Bedding.

In terms of funding the investment in Westcote Interiors, Sona told me that she has a small inheritance that she could use and would possibly also seek a small loan from her bank.

DOCUMENT 4

EMAIL

From: Enrico.costa@HFF.co.uk
To: Fatimakhan@kempstonsllp.com
Date: (Today's date)
Re: Hoxton Frozen Foods financial issues

Dear Fatima

I hope you are well. I would like to consult you on a couple of matters:

You'll see from the information below that HFF is managing to fend off threats from creditors, and the bank especially, to take proceedings to call in our debts. To assist our financial position, we are looking for an injection of capital, either with a loan from or through an issue of shares to Leonardo, the father of Maria, one of our directors.

We have also had some issues with another one of our directors, Aditi Shah. As you may recall, Aditi is responsible for stock purchases. She has been suffering from stress recently and has not been attending our monthly board meetings. Further, we suspect that there are issues with paying suppliers as the company has recently received a number of demands for payments of outstanding invoices, all over £1,000 in value. We have been able to pay most of them, but it has left us in a tight financial position. We are having to be very careful about incurring any major expenditure. This is not helped by the current high fuel and energy prices.

We have however managed to secure an extension to our loan with Cotton Bank. They have agreed to lend us a further £45,000, but on condition that we grant them a new floating charge over the company's assets. This new charge will act as security for the entirety of our loan from the bank.

Finally, we have identified a couple of assets that are surplus to requirements that we could sell at an attractive price to raise a little extra cash. These include a couple of our vans from our current fleet of vehicles.

I look forward to meeting you soon and I can fill you in then on details and any further developments.

Kind regards
Enrico

Turn over

DOCUMENT 5

HOXTON FROZEN FOODS LIMITED COMPANY SEARCH

Name of Company		Hoxton Frozen Foods Limited	
Company Number		W9934875Y	
Company Type		Private company limited by shares	
Date of Incorporation		5 March 2012	
Previous Names		None	
Registered Office		Kempstons LLP, Solicitors, The Manor House, Bedford, MK42 7AB	
Accounting Reference Date		31 October	
Accounts	Last filed	Next due for period to	Overdue
	To 31 October 2021	31 October 2022	N/A
Current Directors and Secretary	Directors		Secretary
	Enrico Costa Maria Costa Aditi Shah		None appointed
Share Capital	Issued	Class	Amount paid up
	£50,000	Ordinary £1	In full per share
Shareholders	Name	Class	No. of shares
	Enrico Costa Maria Costa	Ordinary £1 Ordinary £1	25,000 25,000
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	Charge registered on 31 May 2013	£250,000	Fixed charge in favour of Cotton Bank Plc
Memorandum of Association			
Standard, unamended			
Articles of Association			
Model Articles for private companies limited by shares		Special article restricting borrowing to £75,000, unless shareholder approval is obtained by ordinary resolution Quorum for directors' meetings: three (3)	

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:	FMK	Date: June 2022

End of Case Study Materials