



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 2025

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, 28th edition, Derek French, Oxford University Press, 2024.***
- 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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CASE STUDY MATERIALS

ADVANCE INSTRUCTIONS TO CANDIDATES

You are a trainee lawyer working in the corporate department of Kempstons Solicitors LLP, The Manor House, Bedford, MK42 7AB.

You arrive at work to find a memorandum from your supervising partner, Florence Yates, awaiting your attention (**Document 1**). A number of other documents are also present. All documents are listed below.

DOCUMENT 1: Memorandum

DOCUMENT 2: Agreement between Darcy Cole, Harriet Speilman and Gary Harwick
(File: Darcy Cole and Harriet Speilman)

DOCUMENT 3: Company Search Report: Sparkle & Joy Limited (File: Sparkle & Joy Limited)

DOCUMENT 4: Email from Temitayo Olofinula to Florence Yates (File: Temitayo Olofinula)

DOCUMENT 5: Invoice from Motorbike Spares Limited to Golden Oldies Limited
(File: Golden Oldies Limited)

CASE STUDY MATERIALS

DOCUMENT 1

MEMORANDUM

To: Trainee Lawyer

From: Florence Yates

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. Darcy Cole and Harriet Speilman

Darcy Cole and Harriet Speilman jointly own a cleaning business with Gary Harwick called Squeaky Clean (the 'Business'). They clean domestic homes and small local offices. Darcy and Harriet set up the Business in 2018; they are all involved in running the Business and they all work for the Business full time. Darcy and Harriet clean the domestic homes and Gary cleans the offices.

Gary, Darcy's nephew, joined the Business in January 2024 when the Business was in need of further capital and Gary was looking to move from being employed to being self-employed. Gary had some savings and decided to invest in the Business. He invested £5,000, which allowed them to update their equipment and market the Business more aggressively. Between January and September 2024, they won several new contracts to clean small local offices and their profits were healthy.

When Gary joined the Business, they 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 (**Document 2**).

In October last year, the office manager of one their larger office clients contacted Darcy to explain that several items had been left broken after Gary had cleaned and that no explanation had been provided for the breakages.

Darcy and Harriet discussed this with Gary straight away. He explained that he is struggling financially and has been cleaning offices during the night for people who are not clients of the Business; he is exhausted and has been rushing his work. He apologised and said it would not happen again.

In November and December, several similar complaints were received, and five clients have terminated their contracts with the Business because of broken items, inadequate cleaning or failure to show up at all.

2. Sparkle & Joy Limited

Sparkle & Joy Limited ('S&J') makes personalised gifts for special occasions. Fatema Dhar is the sole shareholder and director, Fatema makes/personalises all the items that S&J sells. S&J operates from a small, converted outbuilding owned by S&J. The outbuilding is used to make and store the personalised items before they are shipped to customers. S&J owns small pieces of machinery, including an engraver. The machinery is stored and used in the outbuilding.

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CASE STUDY MATERIALS

S&J markets the items solely using social media and word of mouth. Business is currently booming and Fatema is struggling to meet customer demands within a reasonable timeframe; she is concerned that this may damage S&J's reputation and so has decided to expand.

S&J employs one person called Dipesh who works for S&J on a full-time basis; he is able to perform all of the tasks currently required to meet customer needs. Dipesh has recently inherited £75,000 and is looking to invest the money in a business in which he can be involved. Dipesh has approached Fatema about the possibility of investing in S&J and has suggested that he make an investment of £30,000 in return for 10,000 ordinary shares and 20,000 preference shares (carrying preferential rights to dividends and on winding up) in relation to S&J.

Fatema is aware that the outbuilding is becoming too small for storage of the gifts and that S&J will need to lease bigger premises very soon. S&J will retain the outbuilding solely for production of the gifts.

S&J will also need to employ more staff to assist with producing the gifts and processing customer orders.

A further development is that Westshire Bank plc has agreed to lend £30,000 to S&J on standard terms, subject to S&J granting fixed and floating charges over all of its assets. Fatema is considering taking this loan from Westshire Bank as an alternative to accepting Dipesh's proposed investment.

A company search result against S&J is attached (**Document 3**).

3. Temitayo Olofinula

I received an email yesterday from Temitayo Olofinula, a new client of the firm. I have attached a copy of the email (**Document 4**). I would like us to meet Temitayo together in the next couple of weeks. Please review **Document 4** in preparation for that meeting.

4. Golden Oldies Limited

Golden Oldies Limited (the 'Company') runs a car and motorbike refurbishment business. Specifically, the Company buys old cars and motorbikes, and refurbishes them to sell on. The Company operates from a shop in Flitwick, Bedfordshire. It employs four people.

The Company was incorporated in 2010 with unamended Model Articles by Francesca and George Stanley. They each own 50 ordinary shares in the Company and they are both directors. The Company was formed to acquire a business called 'Golden Oldies' from Martin Swinson, who had been running it as a sole trader. The Company was unable to raise finance from a bank for the acquisition and so George's father, Henry Stanley, lent the company £20,000 to enable it to buy the business. Henry did not take security for the loan at that time.

The Company is currently facing financial difficulties owing to the increase in costs of the business and the slowdown in customer spending. The Company currently owes money to a company called Motorbike Spares Limited for spare parts supplied to it. A copy of the invoice is attached (**Document 5**). Motorbike Spares has chased repeatedly for payment.

DOCUMENT 2

AGREEMENT

Date: 24 January 2024
Parties: Darcy Cole, Harriet Speilman, Gary Harwick
Trading as: Squeaky Clean (the 'Business')

1. Capital and Profits

Each Party will share in the profits of the Business in proportion to their capital contribution, which is:

Darcy: £10,000
Harriet: £10,000
Gary: £5,000

2. Salary

Each Party shall be entitled to a salary from the Business. The amount of such salary will be agreed annually by a unanimous vote of the Parties.

3. Ownership of business assets

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

4. Expulsion of Party by majority

Any Party can be expelled from the Business by a majority vote.

Signed by:

Darcy Cole

Harriet Speilman

Gary Hardwick

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DOCUMENT 3

COMPANY SEARCH REPORT: SPARKLE & JOY LIMITED

Name of Company		Sparkle & Joy Limited	
Company Number		11596326	
Company Type		Private company limited by shares	
Date of Incorporation		16 June 2018	
Previous Names		None	
Registered Office		16 Spelling House, Odiham, Hampshire, RG29 1AH	
Accounting Reference Date		30 September	
Current Directors and Secretary		Directors	Secretary
		Fatema Dhar	None
Share Capital	Issued	Class	Amount paid up
	£30,000	Ordinary £1	£1 per share
Shareholders	Name	Class	No. of shares
	Fatema Dhar	Ordinary £1	30,000
Undischarged Mortgages or Charges			
Chargee	Date of Charge	Amount Secured	Description of Charge (including assets secured and whether there is a negative pledge)
None			None
Memorandum of Association			
Standard, unamended			
Articles of Association			
Model Articles for private companies limited by shares		Unamended	
Unusual documents		Yes/No	(Include copies)
Appointment of receiver/administrator/winding-up order		NO	
Report completed by:		CoSec	Date: [Today's date]

DOCUMENT 4

EMAIL

To: Florence.Yates@KLLP.com

From: Temitayo05@gmail.com

Date: [Yesterday]

Subject: New business idea

Dear Florence

I was given your email address by your receptionist, who asked me to set out in detail the matter I would like to discuss with you.

I am a graphic designer and I have worked in the marketing department of a national chain of vets for the past 15 years. In the last three years, I have taken on some self-employed marketing work for local businesses, including beauty salons and florists. Some of this work has come through referrals from friends and family, and some through a little bit of advertising that I do on social media.

My business has grown quickly; this current tax year I anticipate that I will have approximately £40,000 taxable income. I have some clients whose businesses are also growing quite rapidly and I am really excited by this prospect.

Some of my clients are keen to engage me on an annual retainer. Unfortunately, I am not able to do this while I am still working for my employer and so can do only piecemeal work for them. I am worried that some of them will start to look elsewhere unless I can meet their requirements.

However, my employer has recently carried out consultations for voluntary redundancy with several staff members, including me, and so I am considering whether it might be a good idea to explore this and consider using any redundancy money I get to set up my new business properly.

My colleague Sara is also considering redundancy as an option and is interested in working with me, so it might be that I explore this option too.

I would love to have a chat with you about my new business if you have some time in the next couple of weeks.

Best wishes

Temitayo

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DOCUMENT 5

INVOICE

Golden Oldies Limited
57 High Street
Flitwick
Bedfordshire
MK45 1BG

Date of invoice: [two months ago]

Payment due: 30 days after date of invoice

Invoice number: IN0078929

Parts Ordered	Number	Total Cost
GH78900	10	£1,500
GH90034	5	£ 500
GH78999	9	£1,000
Total Cost		£3,000

Motorbike Spares Limited
Company Number: 10245665
Registered Office: 12 Luton Road, Bedford, MK42 7GH
Phone number: 01234 756896
Email: info@MCL.co.uk

End of the case study materials