**Limited Liability Partnership Agreement**



**Small and Medium Enterprises Development Authority Ministry of Industries & Production**

**Government of Pakistan**

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 **JUNE, 2018**

**INTRODUCTION OF SMEDA**

The Small and Medium Enterprise Development Authority (SMEDA) was established with the objective to provide fresh impetus to the economy through the launch of an aggressive SME development strategy. Since its inception in October 1998, SMEDA had adopted a sectoral SME development approach. A few priority sectors were selected on the criterion of SME presence. In depth research was conducted and comprehensive development plans were formulated after identification of impediments and retardants. The all-encompassing sectoral development strategy involved overhauling of the regulatory environment by taking into consideration other important aspects including finance, marketing, technology and human resource development.

After successfully qualifying in the first phase of sector development SMEDA reorganized its operations in January 2001 with the task of SME development at a broader scale and enhanced outreach in terms of SMEDA’s areas of operation. Currently, SMEDA along with sectoral focus offers a range of services to SMEs including over the counter support systems, exclusive business development facilities, training and development and information dissemination through a wide range of publications. SMEDA’s activities can now be classified into the three following broad areas:

1. Creating a Conducive Environment; includes collaboration with policy makers to devise facilitating mechanisms for SMEs by removing regulatory impediments across numerous policy areas.
2. Cluster/Sector Development; comprises formulation and implementation of projects for SME clusters/sectors in collaboration with industry/trade associations and chambers.
3. Enhancing Access to Business Development Services; development and provision of services to meet the business management, strategic and operational requirements of SMEs.

SMEDA has so far successfully formulated strategies for sectors, including fruits and vegetables, marble and granite, gems and jewelry, marine fisheries, leather and footwear, textiles, surgical instruments, transport and dairy. Whereas the task of SME development at a broader scale still requires more coverage and enhanced reach in terms of SMEDA’s areas of operation.

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**LIMITED LIABILITY PARTNERSHIP AGREEMENT**

**This LIMITED LIABILITY PARTNERSHIP agreement is** made this\_\_\_\_ day of\_\_\_\_\_\_\_ at \_\_\_\_\_\_\_\_\_

By & Between

Mr/Ms. \_\_\_\_\_\_\_\_\_\_\_\_\_ son of\_\_\_\_\_\_\_\_\_\_\_\_ resident of (insert his residential address) (hereinafter referred to as the “first party” which expression shall unless repugnant to the context and meaning include its administrators, assigns and representatives) of the first part;

**AND**

Mr./M/s \_\_\_\_\_\_\_\_\_\_\_\_\_ son of\_\_\_\_\_\_\_\_\_\_\_\_ resident of (insert his residential address) (hereinafter referred to as the “Second party” which expression shall unless repugnant to the context and meaning include its administrators, assigns and representatives) of the second part;

**WHEREAS:**

The parties (hereinafter referred to as the “Partners”) named above wish to enter into a limited liability partnership (LLP) in accordance with and subject to the terms and conditions of the Limited Liability Partnerships Act 2017 and the Rules/Regulations made thereunder.

**NOW THEREFORE IT IS HEREBY AGREED** as follows:

1. **Name and registered office**
2. The name of the LLP shall be\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.
3. The Partners may, if so directed by the Securities and Commission of Pakistan (SECP), any other legally constituted authority, a court of competent jurisdiction or under the exigency of business convenience from time to time determine upon a change in the Name of the LLP subject to the fulfilment of legal formalities.
4. **Incorporation of the LLP**

The designated Partner shall, under intimation to every other partner, complete and deliver to SECP all such documents and pay all such fees as shall be necessary to get the LLP incorporated under the LLP Act.

1. **Designated Partner**
2. The partners hereby designate Mr.\_\_\_\_\_\_\_\_\_ (hereinafter the ‘designated Partner) *(in case of more than two partners, more than one designated partner can be appointed)* who has consented to act so. The designated partner shall be responsible for doing all acts, matters and things as are required to be done by the LLP in respect to compliance of the provisions of the Act including filling any document, return, statement and the like report pursuant to the provisions of the Act and the provision of this agreement.
3. The LLP shall ensure that the particulars of the designated partner are submitted to the SECP at the time of incorporation of the LLP.
4. The designated partner shall cease to be the designated partner of the LLP if he ceases to be a partner in the LLP.
5. **Registered Office and Place of business**
6. The Registered office of the LLP shall be situated at\_\_\_\_\_\_\_\_\_\_ (enter name of the Province).
7. The principal place of business of the LLP shall be at \_\_\_\_\_\_\_\_\_\_ (enter name of the LLP). The LLP may establish branch and or liaison offices at different locations across Pakistan as and when deemed appropriate.
8. **Commencement and duration**
9. The provisions of this agreement shall take effect on the date mentioned herein above.
10. Unless agreed in writing otherwise by all the Partners, this agreement shall remain valid for a period of \_\_\_\_\_\_\_\_\_\_\_.
11. **Partners' shares and contributions**
12. The form and value of contribution to the LLP of a partner will be decided mutually by the partners from time to time. Such contribution may consist of moneys, negotiable instruments, properties including valuable rights, intangibles, knowledge and skills etc. which the partners deem to add value to the LLP.
13. The monitory value of contribution of partners representing intangible properties including valuable rights, intangibles, knowledge and skill etc. shall be accounted for and disclosed in the accounts of the LLP in a manner which can be valued reliably and can be legally enforced.
14. The contributions made by the partners shall represent their equity participation in the business of the LLP.
15. Each of the Initial Partners shall acquire as at the Commencement Date a Share in the LLP equal to the amount or value of his/her Contribution made by him/her on the Commencement Date.
16. Any partner making any Contribution at any time after the Commencement Date shall acquire a new Partner's Share or augment his previous Share by an amount equal to the amount or value of that Contribution.
17. All the partners of the LLP shall be entitled to share profits and losses of the LLP.
18. The **designated partner** may from time to time require the partners or any of them to make such Contribution as is necessary for the Business and shall in that event specify the time within which such Contribution is to be made.
19. No partner shall be entitled to any interest on the amount for the time being of his/her share in the LLP.
20. The monitory value of contribution of partners representing tangible and intangible properties shall be determined in accordance with the Company law for the time being in force in Pakistan and rules and regulations made thereunder.
21. **Accounts**
22. The LLP shall maintain proper books of accounts relating to its affairs for each year of its existence on accrual basis and according to double entry system of accounting. The books of accounts shall contain:
23. Particulars of all sums of money received and expended by the LLP and the matters in respect of which the receipt and expenditure takes place;
24. A record of the assets and liabilities of the LLP.
25. Statements of cost of goods purchased, inventories, work-in-progress, finished goods and cost of goods sold;
26. Any other records decided by the partners; and
27. Any other particulars as may be notified by the SECP.
28. The LLP shall maintain its accounts at its registered office.
29. The LLP shall, within a period of four months from the end of each financial year, prepare a statement of accounts for the said financial year as at the last day of the financial year. The designated partner shall put its signatures on such statement evidencing the acceptance thereof.
30. It shall be the responsibility of the Partners to ensure that accounting records giving a true and fair view of the Business and the affairs of the LLP shall be properly maintained.
31. The financial statements of the LLP shall be approved through resolution passed by a majority in number of partners. The financial statements shall be signed by the designated partner and in case the designated partner is not available, these shall be signed by all the partners.
32. The books of accounts of the LLP relating to a period of not less than 10 years immediately preceding the current year shall be preserved in good order.
33. **Banking arrangements**
34. The bankers of the LLP shall be \_\_\_\_\_\_\_\_\_\_\_\_ and/or such other bank as the partners may from time to time determine as being the lead bank or a subsidiary bank (“the Bank”) of the LLP.
35. All money, cheques and drafts received by or on behalf of the LLP solely shall be paid promptly into the bank account of the LLP and all securities for money shall be promptly deposited in the Name of the LLP with the Bank.
36. In the event that it shall be a normal part of the Business to receive money on behalf of any client or third party the LLP shall open a separate client account or accounts with the Bank and:
37. all money, cheques and drafts received by or on behalf of such clients or third parties shall be paid promptly into such client account(s) and all securities for money shall be promptly deposited in the name of the clients or third parties with the Bank;
38. any such account or accounts shall at all times be operated by the LLP strictly in accordance with the professional and legal norms prescribed by any relevant authority or organization as the case may be.
39. All the accounts maintained by the LLP with the Bank shall be operated jointly with the signatures of Designated partner (s) and such other partner as may be authorized by the partner from time to time.
40. No Partner shall sign any cheque or other instrument relating to the LLP in favour of or give instructions for any transfer of money to himself or his spouse, child, parent or sibling.
41. **Profits and losses**
42. Profits and losses of the Partnership business in each financial year shall be divided between and borne by the Partners in the proportion of their respective capital contribution standing to their credit in the books of the Partnership as on the last date of the relevant financial year.
43. The LLP profits and losses computed as due shall be charged or credited to the separate income account of each Partner. If a Partner has no credit balance in the income account, losses shall be charged to his capital account.
44. **Payment of Remuneration for Services**

Every Partner may take part in the management of the LLP. However, no partner shall be entitled to remuneration for acting in the business or management of the LLP.

1. **Partners' obligations and duties**
2. Each partner shall render true accounts and full information of all things affecting the LLP to any partner or his authorized representatives.
3. Every partner shall account to the LLP for any benefit derived by him without the consent of the LLP from any transaction concerning the LLP or from any use by him of the property, name or any business connection of the LLP.
4. If a partner, without the consent of the LLP carries on any business of the same nature as the competing business with the LLP, he/she must account for and pay over to the LLP all profits made by him in that business.
5. **Management of Operations**
6. The Designated partner shall be the active partner while the other partner shall be the sleeping partner. Their right of the sleeping partner to participate in the management of the LLP shall be as provided herein and otherwise it is restricted to:
7. Ratification of this LLP Partnership Agreement post-incorporation of the LLP;
8. The admission and release / expulsion of new / existing Partners;
9. Any alteration to this LLP Agreement as well as to the incorporation documents;
10. Appointment of Designated Partner;
11. Raising further capital in terms of the provisions of this agreement and any law for the time being in force;
12. Approval of Annual Accounts, Solvency of the LLP and the Auditor’s Report thereon;
13. Assignment and transfer of partnership rights, by the Partners in any way;
14. Any proposal of the LLP to make an application to the SECP that the affairs of the LLP ought to be investigated;
15. Any change in the nature of business of the LLP;
16. Any sale or other disposition of the LLP Property or the incidence of any extraordinary loss or jeopardy or ‘waste’ to the property of the LLP warranting appointment of any received under any law for the time being in force; and
17. Winding up and dissolution of the LLP.
18. In deciding all the matters specified above by a unanimous decision of both the partners shall be required. (*in case there are partners more than two, the partners may provide for decision by majority of votes or by a % of partners etc.*) out of the Partners.

1. **Limitations on Partners' powers as agents**
2. The following limitations on the powers of any individual Partner to act as an agent of the LLP shall apply:
3. No partner shall without the consent of other partner (in case of more than two partners insert number of partner):
4. appoint or dismiss any employee of the LLP;
5. except in the ordinary course of the business of the LLP and for its benefit and if the (insert the agreed expenditure limit) shall not be exceeded pledge the credit of the LLP or incur any liability or lend any money on behalf of the LLP;
6. give any guarantee or undertaking on behalf of the LLP in respect of any sum or connected sums exceeding (in the aggregate where appropriate) the \_\_\_\_\_\_\_\_ Rupees (insert the agreed expenditure limit).
7. compromise or compound or (except on payment in full) release or discharge any debt or connected debts due to the LLP where the same exceed (in the aggregate where appropriate) (insert the agreed expenditure limit).
8. **No Partner shall:**
9. have any dealings with any person, partnership, limited liability partnership or limited company with whom or which the Partner have previously resolved not to deal;
10. procure that the LLP shall enter into any bond or become bail or surety for any person;
11. knowingly cause or permit or suffer to be done anything whereby the property of the LLP may be taken in execution or otherwise endangered;
12. assign, mortgage or charge his interest in the Capital; or
13. be entitled to make any application to the Court under the Companies Act, 2017**.**
14. **Indemnity and expenses**

The LLP shall indemnify each partner in respect of payments made and personal liabilities incurred by him in the ordinary and proper conduct of the business of the LLP or in or about anything necessarily done for the preservation of the business or property of the LLP.

1. **Insurance**

The LLP may as and when deemed appropriate maintain policies of insurance for such respective amounts as the partners may from time to time determine in respect of the Property, all plant equipment and other chattels belonging to or used by the LLP, vehicles, professional negligence etc.

1. **Retirement**

A Designated Partner may resign from his designation upon giving notice to the LLP and to the other Partners. Such notice shall take effect {Immediately (write in the notice if notice to take effect immediately)} **OR****{**upon the expiry of the notice period from the date of the said notice**}.** {Add this clause also if there are more than one designated partners} “Save that in the event that such resignation would reduce the number of Designated Partner(s) of the LLP to one then the notice shall not take effect until the partners shall have appointed a new Designated partners to fill the vacancy to be created by the said notice.”

1. **Expulsion**

Subject to the provisions relating to the dispute resolution given herein, The LLP may by notice in writing for a reasonable period, expel a partner who is guilty of committing any grave breach or persistent breaches of this Agreement; have a bankruptcy order made against him**;** fails to pay any money owing by him to the LLP within 14 days of being requested in writing by the LLP so to do; be guilty of any conduct likely to have a serious adverse effect upon the Business; or

1. **Provisions relating to death, retirement or expulsion**

In the event that any Partner shall on a date other than a financial year end date die or retire or be deemed to retire or be expelled then:

1. He/she shall not be entitled to receive any share of the profit of the LLP from the date of his ceasing to be a Partner;
2. the LLP shall not be obliged to prepare any accounts other than the accounts which would normally prepared as at the next financial year end;
3. for the purpose of ascertaining the amount of the Partner’s Share of the Partner in question the profits of the LLP in such accounts shall be apportioned on a time basis in respect of the periods before and after his death retirement or expulsion**.**

In the event of the death, retirement or expulsion of any Partner there shall be due to him from the LLP the amount of his Partner's Share as shown in the accounts of the LLP for the Year End Date next following such death, retirement or expulsion or upon which the same shall take effect (and for the avoidance of doubt there shall be no goodwill payable to him).

1. **Other provisions following death retirement or expulsion**
2. Any Partner who shall have retired or been deemed to have retired or expelled shall:
3. Not before the **[**first**]** **OR****[**second**]** financial year end date following the relevant Ending Date of the relationship with the LLP:
4. solicit business from canvass or accept instructions to supply goods or services to or for any person, firm, limited liability partnership or limited company which has habitually introduced clients or customers to the LLP or was a client or customer of the LLP nor induce any Partner or employee of the LLP during the period of one year preceding the relevant Ending Date;
5. engage in any business of a nature similar to that of the Business (whether on his own account or as a partner, or member in, or an employee of, or consultant to any other person, partnership, limited liability partnership or limited company) within a radius of\_\_\_\_\_\_\_of business of the LLP at the relevant Ending Date;
6. Pay into the LLP's bank account all sums due from him to the LLP and any sums not so paid shall be recoverable by the LLP from him as a debt.
7. Deliver to the LLP all such books of account, records, letters and other documents in his possession relating to the LLP as may be required for the continuing conduct of the Business
8. Sign, execute and do all such documents, deeds, acts and things as the LLP may reasonably request for the purpose of conveying, assigning or transferring to it any Property or assets which immediately prior to the Ending Date were vested in the retired or expelled partner as nominee for or in trust for the LLP.
9. **Winding up**

The LLP may be wound up either voluntarily by the partners or by the order of a Court of competent jurisdiction. The procedure and circumstances in which the LLP could be wound up shall be as prescribed under the Act or the Rules made thereunder.

1. **Business Transaction of partners with the LLP**

A partner may lend money to and transact other business with the LLP as may be prescribed under the Act and or the rules made thereunder. The creditor partner shall have the same rights and obligations with the respect to the loan or other transactions as a person who is not a partner.

1. **Notices**

Any notice herein referred to shall be in writing and shall be sufficiently given to or served on the person to whom it is addressed if it is delivered to or sent in to the LLP to its Registered Office or (in the case of notice to any Partner) to him at his residential address as registered for the time being with SECP and shall be deemed to have been delivered in the ordinary course of post.

1. Dispute Resolution

Any dispute under or arising out of this Agreement shall in the first instance be resolved amicably with negotiations. In case the dispute is not so resolved, the same shall mutually be referred to a single jointly agreed arbitrator for arbitration in accordance with the Arbitration Act 1940 and the decision of the arbitrator shall be final and binding on all parties.

**In witness whereof the parties have put their signatures on the day written above.**

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**SIGNED** by [Name of the partner] **SIGNED** by [Name of the partner]

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**SIGNED** by [name of the witness] **SIGNED** by [name of the witness]

CNIC No.\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ CNIC No.\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Address\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Address \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_