

PARTNERSHIP DEED (TWO PARTNERS ONLY)

THIS PARTNERSHIP DEED is made on *(date)*

AND IS MADE BETWEEN:

(name) of *(address)*; and

(name) of *(address)*.

NOW IT IS HEREBY AGREED as follows:

1. Definitions

In this Deed the following terms and phrases shall have the following meanings unless the context otherwise requires:

Accountants	<i>(name of accountants)</i> or any other firm of chartered accountants approved by the Partners to be appointed as accountants to the Partnership.
Date of Dissolution	the date upon which the Partnership is dissolved.
Financial Year	the period from <i>(date)</i> in one year to <i>(date)</i> in the next year inclusive or such other period as the Partners may agree from time to time.
Partner	one or other of the Partners.
Partners	the parties to this Deed, including (where the context allows and such have been appointed) their respective personal representatives or trustees in bankruptcy.
Partnership	the partnership carried on under this Deed.
Partnership Bank	<i>(name of bank)</i> or such other bank as the Partners may choose from time to time.
Premises	<i>(address)</i> or such other place as the Partners may from time to time agree.
Purchaser	the Partner who exercises an option to purchase the share in the Partnership of the other Partner.
Vendor	the Partner whose share in the Partnership is purchased pursuant to an option exercised by the other Partner.

2. The Partnership

- 2.1 [The Partners have from *(date)* carried on and shall continue to carry on the business of *(business)* in partnership] *(or)* [The Partners shall with immediate effect carry on the business of *(business)* in partnership] under the firm name of *(name)* at the Premises.
- 2.2 The Partnership shall continue until it is dissolved as expressly provided in this Deed or as permitted by operation of law.

3. Capital

- 3.1 The initial capital of the Partnership shall be £*(amount)* which is made up of:

- 3.1.1 £(*amount*) (being the value of the property contributed by the Partners) which shall be credited to the capital accounts of the Partners [in equal shares]; and
- 3.1.2 £(*amount*), of which each Partner shall pay £(*amount*) immediately after the signing of this Deed into an account for the Partnership to be opened at the Partnership Bank and which shall be credited to the capital accounts of the Partners [in equal shares].
- 3.2 The capital of the Partnership shall belong to the Partners in the same proportions as the amounts for the time being standing to the credit of their respective capital accounts bear to the total of such amounts.
- 3.3 [Each Partner shall be entitled to interest at the rate of (*amount*)% per annum over the base lending rate of the Partnership Bank, or as the Partners may from time to time agree, on the amount for the time being standing to the credit of his capital account, such interest to accrue from day to day and to be paid each year before any division of profits is made.]
- 3.4 If at any stage there is a further requirement for capital from the Partners it shall be provided by the Partners [in equal shares].

4. Management and decision-making

- 4.1 Except where otherwise agreed a Partners meeting shall be held at the Premises on [the first Monday in each month].
- 4.2 All decisions relating to the Partnership business or the terms of this Deed shall require the consent of both Partners [, except that one Partner may take decisions on (*list matters*)].
- 4.3 Each of the Partners shall be entitled to (*number*) weeks' holiday in each calendar year but may not for any year carry forward any holiday into the next calendar year. Holiday must be taken at such time as the Partners agree.
- 4.4 All cheques for sums in excess of £(*amount*), or any sums subsequently agreed by the Partners and lodged as a mandate with the Partnership Bank, shall be signed by both of the Partners. Cheques for a lesser amount may be signed by either of them.

5. Accounting records and annual accounts

- 5.1 Proper books of account shall be kept by the Partnership showing all receipts and payments on behalf of the Partnership. Such books of account shall not be removed from the Premises during the Partnership and after dissolution of the Partnership shall be kept in safe custody.
- 5.2 A profit and loss account shall be taken on the last day of each Financial Year and a balance sheet as at the same date shall be prepared by the Accountants.
- 5.3 The profit and loss account and balance sheet shall be agreed and signed by both Partners and the audited accounts shall then become binding on each of them, except that either Partner may require the rectification of any manifest error discovered in any of the accounts within 6 months of the date when the balance sheet was signed by or on behalf of the Partners.
- 5.4 In the event that the draft accounts are not approved by both Partners within [two] months of being submitted to them, the Partners shall refer any point of dispute for resolution by such member of the Institute of Chartered Accountants as shall be nominated for this purpose by the President of such Institute. The ruling of such a member on the point in dispute shall be final and binding on the Partners. In considering any such point such member shall be acting as an expert and not as an arbitrator.

6. Profits and losses

The profits and losses for each Financial Year (including those of a capital nature) shall be divided and shared between the Partners in proportion to the shares in the capital of the Partnership for the time being owned by them.

7. Drawings

7.1 Shares of profits shall not be drawn out unless and until there is a surplus available after providing for:

7.1.1 (except to the extent that both Partners otherwise agree) all anticipated future liabilities of and claims against the Partnership and all taxes and national insurance which it is anticipated may become payable in respect of the Partnership business carried on in the current Financial Year; and

7.1.2 any sums which both Partners have agreed shall be left undrawn by a Partner to recoup sums owed by him to the Partnership.

7.2 Subject to clause 7.1, each Partner may draw out of the Partnership Bank account on account of his share of the profits such monthly sums as may be agreed.

7.3 Subject to clause 7.1, each Partner shall be entitled to draw out of the Partnership Bank account any undrawn balance of his share of any profits shown in any profit and loss account of the Partnership, at any time after it has been signed by both Partners.

7.4 If the total of the sum drawn out by a Partner in any one Financial Year together with other items debited against his current account for that year shall be found to exceed his entitlement for that year he shall immediately repay the excess to the Partnership.

8. Loans to the Partnership

Either Partner may with the express consent of the other Partner advance any sum to the Partnership over and above his due contribution to capital under clause [] and such sum shall be a debt from the Partnership to the Partner advancing it. Such sum shall bear interest at the rate of *(amount)*% per annum over the base lending rate of the Partnership Bank or as the Partners may from time to time agree, which shall accrue from day to day and shall be paid annually. At any time either the Partner making the advance may give to the other Partner or the other Partner may give to the Partner making the advance not less than [six] months written notice of repayment and on the expiry of such notice the advance shall be repaid together with interest to the date of repayment.

9. Partners' duties and responsibilities

Each Partner shall:

9.1 be faithful to the other Partner in all matters relating to the Partnership and at all times give to the other Partner full information and explanations in respect of such matters;

9.2 devote the whole of his time and attention to the Partnership business, diligently work for the benefit of the Partnership and not without the prior written consent of the other Partner be concerned in any other business;

9.3 punctually pay his personal debts and discharge his personal obligations and indemnify and keep indemnified the other Partner from and against any liability in respect of his personal debts and obligations; and

- 9.4 indemnify the other Partner in respect of any tax payable or paid by the Partnership for and on behalf of the indemnifying Partner.

10. Restrictions

No Partner shall without the written consent of the other Partner:

- 10.1. take any person into employment or appoint any person as an agent of the Partnership;
- 10.2. dismiss any employee or terminate the engagement of any agent of the Partnership;
- 10.3. lend any money of the Partnership to any person;
- 10.4. give any security or promise for the payment of money on account of the Partnership or enter into any guarantee for the indebtedness of the Partnership (other than in the ordinary course of business);
- 10.5. enter into any bond or become guarantor for any person;
- 10.6. draw, accept or endorse any cheque or other bill of exchange or promissory note on account of the Partnership unless authorised in accordance with the then current mandate of the Partnership Bank account;
- 10.7. compromise, release or discharge any debt due to the Partnership without receiving the full amount;
- 10.8. mortgage or charge the profits or Partnership assets or any part of them or his share in them or his interest in the Partnership or any part of such share or interest;
- 10.9. divulge any confidential information about the Partnership or the Partnership business to anyone not authorised to receive it; and
- 10.10. engage or be concerned or interested either directly or indirectly in any other business or occupation other than that of the Partnership.

11. Dissolution

The Partnership shall be dissolved at the end of the relevant notice period or immediately where no notice is specified on:

- 11.1. the death of either Partner;
- 11.2. either Partner by reason of illness or injury or other cause having been unable to perform his duties for more than 12 consecutive weeks or for more than 24 weeks in any 52 week period and the other Partner thereupon giving not less than 4 weeks' written notice of the dissolution of the Partnership to the Partner who is unable to perform his duties, provided that any such notice shall be of no effect if before it expires such Partner resumes his duties;
- 11.3. communication of any decision so to do by either Partner to the other in respect of and where such communication is subsequent to and within 6 months of such other Partner:
 - 11.3.1. allowing his share in the Partnership to be charged in respect of a debt unconnected with the Partnership;
 - 11.3.2. committing any serious breach or committing persistent breaches of any of

the provisions of this Deed;

- 11.3.3 failing to account for money received by him in respect of any Partnership transaction;
 - 11.3.4 failing to pay any money owing by him to the Partnership within [30] days of a request in writing by the other Partner;
 - 11.3.5 being convicted of any criminal offence other than a minor motoring offence;
 - 11.3.6 being declared bankrupt; or
 - 11.3.7 doing any act which would be grounds for dissolution of the Partnership by the court.
- 11.4 either Partner giving not less than (*number*) months' written notice of dissolution of the Partnership to the other Partner.

12. Option to purchase shares

- 12.1 If a notice of dissolution is given in accordance with clause 11.4, the Partner receiving the notice shall have the option of purchasing the other Partner's share in the Partnership on the terms set out in the Schedule to this Deed. Such option shall be exercisable only by written notice to the other Partner at any time prior to dissolution of the Partnership.
- 12.2 If the Partnership is dissolved by notice given pursuant to clauses 11.2 or 11.3, the Partner giving the notice shall have the option of purchasing the other Partner's shares in the Partnership on the terms set out in the Schedule. Such option shall be exercisable only in the notice so given.
- 12.3 Upon the death of either Partner the survivor shall have the option of purchasing the other Partner's share in the Partnership on the terms set out in the Schedule. Such option shall be exercisable only by written notice given to the personal representatives of the deceased Partner within 3 months of the grant of representation to his estate.
- 12.4 Subject to clauses 12.1, 12.2 and 12.3, the affairs of the Partnership shall be wound up in accordance with the Partnership Act 1890 and each Partner shall be entitled to offer for all or any of the Partnership assets.

13. No assignment

The benefit of this Deed may not be assigned by either Partner.

IN WITNESS whereof this Partnership Deed has been executed as a Deed on the date which first appears on this Partnership Deed.

Signed as a Deed by)
the said (*name*) in the)
presence of:)

.....
Signature of witness

.....
Name of witness

.....

.....
Address of witness

Signed as a Deed by)
the said (*name*) in the)
presence of:)

.....
Signature of witness

.....
Name of witness

.....

.....
Address of witness

SCHEDULE

1. A balance sheet as at the Date of Dissolution and a profit and loss account for the period from the date when the last account of the Partnership was taken (or from the commencement of the Partnership if no account has been previously taken) to the Date of Dissolution shall be prepared as quickly as is reasonably practicable by the Accountants.
2. The Purchaser shall pay and discharge all debts and liabilities of the Partnership as at the date of dissolution, except any debt or liability in respect of income tax attributable to the Vendor's share of the profits of the Partnership and except any debt or liability arising from any wrongful act or omission of the Vendor to the extent that such claim is not covered by insurance and shall keep the Vendor and his estate and effects indemnified against such debts and liabilities (except as stated above) and all actions, proceedings, costs, claims and demands in respect of such debts and liabilities.
3. Any unpaid interest which has accrued on the Vendor's capital to the Date of Dissolution shall be paid to him immediately and any undrawn balance of his share of the net profits of the Partnership shall be paid to him as soon as the amount has been ascertained.
4. Upon the request of the Vendor or of the Purchaser made at any time before or within one month following the date of the production of the balance sheet referred to in paragraph 1 above, any assets comprised in the Partnership property shall be valued as at the Date of Dissolution by a valuer, unless such value can be agreed by the Partners, such valuer to be agreed by the Partners or in default of such agreement appointed by the President of the Institute of Chartered Accountants. The expense of such a valuation shall be borne by the Vendor and the Purchaser equally.
5. The purchase price shall be a sum equal to the amount shown standing to the credit of the Vendor's capital account in the balance sheet prepared as at the Date of Dissolution after adding to it or as the case may be deducting from it the Vendor's share (determined in

accordance with clause 6) of the amount by which the value assigned to any property in a valuation made pursuant to the last preceding paragraph exceeds or falls short of the value assigned to that asset in the books of the Partnership prior to such valuation.

6. [For the purposes of this Schedule the goodwill of the Partnership shall be deemed to be of nil value].
7. The purchase price shall be paid by four equal instalments at intervals of 6 months, the first instalment to be paid at the expiration of 6 months after the Date of Dissolution together with the interest on the amount for the time being remaining owing at *(amount)%* above the base lending rate for the time being of the Partnership Bank, provided that if any instalments of capital or interest shall be in arrears for more than 28 days the Vendor may by notice in writing to the Purchaser declare all such instalments to be immediately due and payable whereupon the same shall become due and payable together with accrued interest.
8. At the request of the Purchaser the Vendor shall join with the Purchaser and with any person or persons who may enter into partnership with the Purchaser on the Date of Dissolution in making any election available under Section 113(2) of the Income and Corporation Taxes Act 1988. The Purchaser shall keep the Vendor and his estate and effects indemnified against any additional tax payable by him as a result of such election.
9. The Vendor shall deliver to the Purchaser all books of account, records, letters, and other documents in his possession relating to the Partnership business.
10. The Vendor shall sign, execute and do all such documents, deeds, acts and things as the Purchaser may reasonably request for the purpose of enabling the Purchaser to recover and get in the outstanding assets of the Partnership or for the purpose of conveying, assigning or transferring to the Purchaser any Partnership property which immediately prior to the Date of Dissolution is vested in the Vendor as one of the Partners or in trust for the Partnership.
11. The Vendor undertakes with the Purchaser that he shall not:
 - 11.1 for a period of [6] months after the Date of Dissolution alone or jointly with or as manager or agent for any person directly or indirectly carry on or be engaged in *(geographical area)* in the business of *(business)*;
 - 11.2 for a period of [6] months after the Date of Dissolution either on his own account or for any other person employ or solicit or interfere with or endeavour to entice away from the Partnership any person or business who was in the [12] months preceding such termination a client of the Partnership and with whom the Vendor had personal dealings;
 - 11.3 for a period of [6] months after the Date of Dissolution either on his own account or for any other person employ or solicit or interfere with or endeavour to entice away from the Partnership any person who was at the Date of Dissolution and still is an employee of the Partnership.

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