

What is a company?

Persons engaged in business have a choice as to how they will establish their business. Options include carrying on business as a sole trader, in partnership or as a company (public or private). A company, whether public or private, is essentially a mechanism to create a separate legal entity to carry on business.

Every company has certain basic elements:

- a name
- rules, either model rules as per schedules 2, 3 and 4 or if the rules differ from model rules a copy of the rules adopted by the company.
- at least one issued share and one shareholder
- at least one director for a private company, a minimum of two directors for a public company
- addresses (physical and postal) for the registered office

A company may have limited (most common) or unlimited liability (see later for more information). A company comes into existence after it is incorporated under the Act. Once incorporated it is recognised in law as an independent legal entity (a Body Corporate). This means it is treated as being a separate “person” from its directors and shareholders. It can, therefore, do many of the same things as a natural person – e.g. hold property in its own name, enter contracts, sue and be sued, etc.