

What is a Director?

Directors are responsible for managing the company's day-to-day business and may or may not be shareholders. Directors owe duties to the company, to its shareholders, and to others dealing with the company. Directors must act honestly in what they believe to be the best interests of the company and with such care as may reasonably be expected of them in all the circumstances.

Directors must not carry on the business in a manner likely to create a substantial risk of serious loss to the company's creditors (also called 'reckless trading').

How many directors should a company have?

A company must have at least one director. When you form a company you can choose to appoint as many directors as you like. It is worth bearing in mind that people who accept directorships should be aware of the responsibilities that go with directorships. They need to know in particular what is meant by reckless trading.

What is a Shareholder?

Shareholders are investors in the company. They pay money into the company in return for shares. The number of shares they own determines the level of control they have over the company. For example, if a shareholder owns 750 shares out of a total of 1,000 company shares, that shareholder owns 75% of the company since each share represents a vote in the company. Shareholders vote on the appointment of directors that manage (provide direction for) the company. Shareholders do not make decisions on running the company unless they are also directors. In small businesses it is common for the major shareholder to be the managing director of the company. Every company must have at least one shareholder.

When I register my company, how many shares do I need?

The smallest number of possible shares in a company is one share.

However, you can choose to issue any number of shares and also choose their value. For example, you may choose to issue 100 shares at \$1 each (total company capital \$100), or 1,000 shares at .10 cents each (total company capital also \$100).