

Which legal form you may choose for your Business project in Bahrain?

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Abstract

Business enterprises vary from simple structure as sole-man operation to complicated huge organizations. The simplest type of enterprises can be formed in what so called sole owner company which consists of one person, who provides capital and assumes risks of the project. However, it is obvious that most projects, in the present time, need a huge capital, good management, experiments and skillful labor power which cannot be provided only through companies as they are the most appropriate instrument to gather all these utilities.

Although companies, in theory, are economical organizations enjoy legal personality, they are different types. Each differs from others in certain features, so, promoters and investors, while incorporating their projects should be aware of the structure of different types of companies.

Companies in Bahrain, but the Sole owner company, are constituted by contracts. They, save joint venture, enjoy legal personality. The relative importance of these two aspects varies from a company to another.

The aim of this paper is to explore the various forms of business projects that can be chosen for business enterprises in Kingdom of Bahrain, their characteristics, advantages and disadvantages of each form in order to facilitate the idea enabling promoters and investors to choose the most appropriate form for their own projects.

1- General Introduction

No doubt that business is the cornerstone of prosperity in society as companies create the resources that permit social development and welfare. The basic objective of business is to develop, produce and supply goods and services to customers. This has to be done in such a way as to allow companies to make a profit, which in turn demands far more than just skills in companies' own fields and processes. Astute entrepreneurs often demonstrate an almost intuitive understanding of the synergies that create success. The social skills of company owners, together with relationships maintained with customers, suppliers and other business people, are always vital if companies are to be run well and developed with a view to the future.

Companies improve their resources by developing materials and ideas. The goods and services produced must meet demands made by customers, other companies or public institutions if companies are to survive. Profitability results when customers are prepared to pay more for goods and services than it costs to produce them. The ability to produce this kind of added value – profit – is the basic prerequisite for business, but it is also a foundation for prosperity in society. Only profitable companies are sustainable in the long term and capable of creating goods, services, processes, return on capital, and work opportunities. This is what business does better than any other sector. Hence, companies' basic commercial operations are the primary benefit they bring to society.¹

Companies vary from simple structure as a sole person operation to complicated huge organizations. The simplest type of enterprises can be formed in what so called sole owner enterprise which consists of one person, who provides capital and assumes risks of the project. It is true that the owner of the sole project works for his own benefits and he is his own boss, but such projects, are usually small, limited and cannot compete other giant companies and are very vulnerable as the business proprietor can be held personally liable and may even go bankrupt for business debts. In addition, the sole business projects will not have perpetual succession, they may vanish once the owner dies or losses capacity for any reason. In such a case, both private and public interests of society are jeopardized. It is for this reason that a company is the legitimate and indispensable choice for conducting business in our growing world.¹

It is obvious that most projects, nowadays, require an accumulation of huge capital,² and gigantic effort of good management, experiments and skilful labor power which cannot be provided only through companies as they are the most appropriate instrument to gather all these utilities. Hence companies become the most important institution in the modern economy all over the world. The question which should be asked is: what is the concept of companies according to the Bahraini legislature trend?

2- Companies In Bahraini Legislations

Although companies, in theory, are economical organizations enjoying legal personality, they are different types. Each differs from others in certain features, so, promoters should be aware of the structure of different types of companies. Therefore, definition of companies and their characteristics are the first two subjects that should be started with.

¹- Companies benefit society by:

- Supplying goods and services that customer cannot, or do not want to, produce themselves;
- Creating jobs for customers, suppliers, distributors and coworkers.

These people make money to support themselves and their families, pay taxes and use their wages to buy goods and services;

- Continually developing new goods, services and processes;
- Investing in new technologies and in the skills of employees;
- Building up and spreading international standards, e.g. for environmental practices;
- Spreading “good practice” in different areas, such as the environment and workplace safety.

The role of business in society.

http://www.svensktnaringsliv.se/multimedia/archive/00000/The_role_of_business_i_376a.pdf last retrieved 18/12/2012.

¹-Mosleh A. At'tarawneh, Principles of Commercial Law, Dar Qatar Bin Alfouja'a, Doha –Qatar, 2007,P.375. Kameran Al-Salihi, Bahrain Commercial Companies & Bankruptcy - Composition Law, University of Bahrain Press, 2005. P.19 et seq. Prof. Salem Gumed Bahraini Commercial Companies Law, Provisions and Explanations, Bahrain University Press, 2014. P.7.

¹ - Prof. op.cit, , 2014, p.8.

²- The accumulation of capital is the gathering or amassing of objects of value; the increase in wealth through concentration; or the creation of wealth. Capital is money or a financial asset invested for the purpose of making more money (whether in the form of profit, rent, interest, royalties, capital gain or some other kind of return). This activity forms the basis of the economic system of capitalism, where economic activity is structured around the accumulation of capital (investment in order to realize a financial profit).

Human capital may also be seen as a form of capital: investment in one's personal abilities, such as through education, to improve their function and therefore capital accumulation (wealth) in a market economy. http://en.wikipedia.org/wiki/Capital_accumulation. Last retrieved 18/12/2012.

Generally, company is a business organization. It is an association or collection of individual real persons and/or other companies, who each provide some form of capital. This group has a common purpose or focus and an aim of gaining profits. This collection, group or association of persons can be made to exist in law and then a company is itself considered a "legal person".¹ The name company arose because, at least originally, it represented or was owned by more than one real or legal person. In the kingdom of Bahrain, a company may be a partnership, association, joint-stock company, or organized group of persons working together as a civil association.²

The present Bahraini commercial companies law No 21/2001³ was derived from and based on the Civil Law.⁴ They both define a company as a contract. The former stipulates what can be translated as:

*"The company is a contract by which two or more persons jointly undertake to contribute in a venture of pecuniary nature by providing contribution of property or service intentionally to share profits or losses of the project."*⁵

So the company, mainly, is a contract, but it has another specific meaning which is different from that given above; it means a legal person that is established by the contract. In fact, one of the features of the company's contract which distinguishes it from other contracts is that it gives birth to a new legal entity. In other words, it creates a juristic person distinct from the contracting parties.⁶

It should be noted that the relative importance of the two aspects mentioned above, the contract and legal personality, are dramatically different from one type of companies to another.⁷ The Bahraini commercial companies law, initially, provides eight forms of partnership and companies namely

¹-The English word has its origins in the Old French military term *compaignie* (first recorded in 1150), meaning a "body of soldiers" originally taken from the Late Latin word *companio* "companion, one who eats bread with you", first attested in the (Lex Salica) as a claque of the Germanic expression *gahlaibo* (literally, "with bread"), related to Old High German *galeipo* "companion" and Gothic *gahlaiba* "messmate". By 1303, the word referred to trade guilds. Usage of company to mean "business association" was first recorded in 1553 and the abbreviation "co." dates from 1769. (The equivalent French abbreviation is "cie".) <http://en.wikipedia.org/wiki/Company>.

²-In the United States, a company may be a "corporation, partnership, association, joint-stock company, trust, fund, or organized group of persons, whether incorporated or not, and (in an official capacity) any receiver, trustee in bankruptcy, or similar official, or liquidating agent, for any of the foregoing." [1] In the US, a company is not necessarily a corporation Geoffrey Morse. Charlesworth's Company Law. 23th Edition. Stevens & Sons, London 1978.

In English law and in the Commonwealth realms a company is a body corporate or corporation company registered under the Companies Acts or similar legislation. It does not include a partnership or any other unincorporated group of persons, although such an entity may be loosely described as a company. Andreas Cahn & David c Donald Comparative Company Law: Text and Cases on the Laws Governing Corporations in Germany, UK and USA. Cambridge University Press, Cambridge, UK & New York, 2010. P. xxii

³- This law was passed in 20/6/2001 and published in 2428 Bahraini Official Gazette

⁴- BOG, Supplementary Issue No 2476, 09/05/2001.

⁵- Article (1/1) of the Bahraini Commercial Company Law No 21/2001. See also Bahraini Civil Law, Article (452).

⁶- Len Sealy & Sarah Worthington, Cases and Materials in Company Law, Oxford University Press, New York, 2008, p. 31.

⁷- Luis M Camarinha-Matos, Hamideh Afsarmanesh, Virtual Organizations: Systems and Practices, Springer Since, Boston USA, 2005 p.169

- 1- The General partnership,¹
- 2- Limited partnership or simple partnership,²
- 3- Joint venture or co-operation firm,³
- 4- Joint stock company (The corporation),
- 5- Limited partnership by shares,⁴
- 6- With Limited Liability Company,
- 7- Sole Proprietorship,
- 8- Holding Company.
- 9- Closed cells company⁵

Companies in Bahrain, save the Sole owner company, are constituted by contracts and, but joint venture, enjoy legal personality. The relative importance of these two aspects varies from a company to another, as will be discussed later.

1.2- Classification of companies

Companies, in Bahrain, whatever their objects, are subject to the Commercial Companies Law No 21 of 2001 and its Implementing Regulations No (6) of 2002.⁶ Promoters or founders will have to decide which of several types of companies they wish to form, since this make a different to: the types and contents of documents required, numbers of partners, roles, powers and liabilities of partners, the way of management, the amount of capital required and the type of business intend to carry out as in some business there is no choice but the Joint Stock Company such as insurance and banking.⁷

Nevertheless, companies have been classified in many different ways. The basic and ancient distinction is between civil and commercial companies. The other fundamental distinction is between companies of persons and companies of capital, or in other wards partnerships and companies.⁸

¹ - Some writers refer to this partnership as: partnership under collective name. See Kamiran Al Salihi, op cit. p.45. Some legislations use, the same name such as Mexico. For example: see Mexico. Secretaría de Hacienda Crédito Público, McCorquodale & Co., Limited, 1912, p.310. Detailed Assessment Report on Anti-Money Laundering and Combating the financing of terrorism, International Monetary Fund, IMF Report No 09/7, 2009, p.37. Thomas McCord, The Civil Code of Lower Canada, Published by Dawson Brothers, Montreal Canada, 1870, p. 296. Max Weber, Lutz Kaelber, The History of Commercial Partnerships in the Middle Ages, published by Rowman & Littlefield, USA 2003, p.176.

²-This partnership, sometimes is known as simple commandite partnership. See Kameran Al-Salihi, op cit, p. 53. Van Beal & Billis, Business Law Guide in Belgium, Kluwer International, Netherlands, 2003, p.78.

³-This sort of commercial enterprises is being called in many previous writings as Association in Participation. See Kameran Al-Salihi, op cit, p.60.

⁴ - This company is known as Commandite company by shares. Ibid. p.

⁵ This company newly enacted according to the decree LAW No (22)/2016, BOG 32282, in 13/10/2016.

⁶ [يوضع رقم الجريدة الرسمية](#)

⁷ -Mosleh A. At'tarwaneh, Principles of Commercial Law. Published by: Dar Qatari Bin Alfouja'a, Qatar, 2007, p.390.

⁸- Hugh J. Ault, Brian J. Arnold & Guy Gest, Comparative Income Taxation: A Structural Analysis, published by kluwer International, The Netherlands, 2010, p.338 et seq.

1.2.1- Civil and Commercial Companies

1 - Criteria of distinction

Jurists adopted the criteria of differentiating traders from non traders to classify companies to commercial and civil according to their purposes. Therefore, commercial companies or partnerships are formed to engage in commercial acts, such as banking, industry, import and export... On the other hand, any company is formed to carry on civil activities such as agriculture, building or co operation between lawyers, is a civil entity.¹

However, the criterion which is adopted in Bahraini Law depends on formality, i.e. if the company is formed under any forms of commercial companies will be deemed a commercial regardless to its object.²

2 - Importance of distinction

The distinction between civil and commercial companies is of great importance as follows:³

I- Civil companies should be subject to the civil code as stipulated in the articles (453-486) while commercial companies are governed by provisions of Commercial companies law No 21 Of 2001, and Commercial Act No 7 of 1987.⁴

II- Commercial companies, as traders, are obliged to meet all duties of merchants. They may, also, be subject to bankruptcy as any other trader.

III- Partners of civil companies are not traders though they are liable for all the debts of the company. However, their liability, unless otherwise provided, is for a fraction of the partnership debts calculated on a reciprocal basis according to the number of partners. By statute, the partners' respective liabilities are usually proportionate to their respective shares in the capital of the company.⁵

In short, they are not jointly liable. Meanwhile, liability of commercial companies' partners varies according to the type of the company. For example, liability of joint partners of partnerships is unlimited while liability of limited partners of the same partnerships, shareholders of the Joint Stock Company and partners of the Limited Company by shares are limited. In addition joint partners of commercial company are jointly and severally liable for all the commitments of the company to the extent of their property.⁶

IV- Commercial companies should be registered and their status must be published and chartered, while civil companies may be established without need to registration or publicity in the commercial Registration.⁷

V- According to the company statutes, unless otherwise provided, unanimity is required in making decision in civil companies, for any question exceeds the powers of the company's

¹-Mohammed M Helalya, Principles of Commercial Companies (text in Arabic), Dar Alnahdh Al Arabia, Cairo, (dateless), p.8.

²This is the trend which was adopted by the Egyptian Commercial Companies Law No17/1999. See 19 Egyptian Official Gazette, (duplicated), 17th of May 1999. Mohammed Helalya, op.cit, p.8. Kameran Al-Salihi, Commercial Law of Bahrain, University of Bahrain, 2006, p. 72.

³-Mohammed Helalya, op.cit, p. 10. Masoud Madi & Fadhel Al-Zahwi, The Commercial Companies In Libyan Law, (text in Arabic) University of Al Jabal Al GHarbi, Libya, 1997. P13

⁴-Masoud Madi & Fadhel Al-Zahwi, op.cit, p. 19. - Mohammed Helalya, op.cit, p. 10 .

⁵-Christopher Joseph Mesnooh, Law & Business in France: A Guide to French Commercial and Corporate Law, Kluwer, Martinus Nijhoff Publishers, Netherlands, 1994. p.16.

⁶-Kameran al-Salhi, op.cit, p. 21 et seq.

⁷-Mohammed Helalya, op.cit, p.10.

managing director. However, making decisions of commercial companies and partnerships, mostly taken by majority.

VI- Partners of civil companies, usually, hold genuine right of withdrawal and claim reimbursement of their shares' value. On the contrary, this right varies in commercial partnerships and companies; on one hand, the partnership, general or simple, should be dissolved if any of its joint members withdraws from the partnership. On the other hand, limited partners of partnerships and shareholder of other companies may withdraw or assign their shares, in most circumstances, freely.

3- The Bahraini law trend

The distinction between commercial and civil companies lost its importance in Bahrain as the formal form of the company was adopted as a criterion of classifying commercial and civil companies.¹ Although the Bahraini Civil Code contains provisions applicable to all companies and partnerships regardless to their: type, nature or activities, the Bahraini Legislator deems all the partnerships and companies which are or were established under any of the names listed in the Commercial Companies Law as traders and subject to commercial Law provisions regardless to its purposes. According to the Article (9) of the Bahraini commercial Law:

"a company shall be considered a trader as long as it takes one of the forms stipulated in the Commercial Companies' Law whatever the purpose that the company is formed for".

Referring to the Bahraini Commercial Companies Law, the legislator stipulated that companies in Bahrain should take one of the names adopted in the companies law otherwise the company should be null and void. The article (2) of the Companies Law states that:

" a- A commercial company incorporated in the State of Bahrain shall take one of the following forms: 1-General partnership company 2-Limited Partnership company 3-Association in participation 4-Joint Stock Company 5-Limited Partnership By Shares 6-Limited Liability Company 7-Single person Company 8-Holding Company.

b-Any commercial company that does not take one of the above forms shall be null and void, and the persons who have entered into contracts in its name shall be personally and jointly liable to third parties for the obligations resulting there from".

In addition to that all the companies should be regulated by the commercial companies' law even if they are civil. Article (3) states that:

"The provisions applicable to commercial companies shall also apply to civil companies having a commercial form regardless of their purpose."

¹-The Bahraini Companies' Law was copied from the Egyptian Law, therefore any company formed in one of the forms of commercial companies is considered commercial regardless to its objects. See inn classifications of companies in Egyptian Law: Mohammed Helalya, op.cit, p. 8. Fayez Naeem Radhwan, The Commercial Companies, (text in Arabic) Dar Al-Nahdha Al Arabia, Cairo,2000, p.3..

The above provisions lead to a consequence that all the companies in Bahrain are commercial, regardless to their nature, since they take one of the names listed in the Commercial Companies Law and regulated by its provisions.¹

1.2.2- Companies and partnerships

Business entities are roughly, divided to Companies of persons (partnerships) and companies of capital.²

Partnerships or personal companies are based on personal considerations and identities of partners. The Articles of associations (contracts of association) have a significant importance and play a leading role. In spite of enjoying legal personality, these companies are not radically separated from partners who are considered as the stone corner of the company. If any partner died or resigned or declared bankrupt the company may come to an end.³ In practice, the will of members as expressed in the contract plays an important role in a manner can be summarized in a very short statement: members are the company and the company is the members.⁴

On the other hand, companies of capital are based, essentially, on contributions of members to the capital. The contract plays a minor role as the juristic person is the centre point of this company. It functions independently from members and never effected by their status.⁵

This traditional criterion was quite clear as the legal personality was the stone corner of distinction between partnerships and companies, however, in many Arab countries the partnerships, save joint venture, enjoy legal personality, therefore the main consequences of distinction between companies and partnerships lost its main part of its importance.

1- The traditional basis of distinction

Traditionally the most important differences between partnerships and company are based on that the latter is dominated by personal considerations as they are owned by the partners, therefore, understanding the differences between the company and partnership can be based in a clear idea and can be summarized in the following points–

- i. A company is considered to be an artificial legal person, hence it is capable to singe contracts and sue and be sued as it is entirely distinct from its members, while partnership is tided by the partners who own the property of the firm and are jointly and severally liable for its commitments.
- ii. Liability of a company's members is limited to the extent of the shares' amount held by each of them, hence insolvency of a company does not lead to insolvency of members, unlike

¹- Kameran Al-salihi, op.cit, p. 72.

²-This classification resembles the classification of companies to private and public companies in the Anglo-Saxon legal system, where there are three main classifications of registered companies. The first classifies registered companies as being limited by shares, limited by guarantee or unlimited. The second classifies them as being either public or private companies, (Any limited company with a share capital may be either a public or a private company) The third classifies private companies into small, medium –sizes and large companies, a classification relevant to the public disclosure. See:

³- Mohammed Helalya, op.cit, p. 13.

⁴- Max Weeber, The history of Partnerships in the Middle ages, Translated by Lutz Kaelber. Published by Rowman & Littlefield Publishers INC, Oxford UK, 2003, p. 127.

⁵- Hussain Al Mahi, The Commercial Companies, Text [in Arabic], Dar Al Nahdhah Al Arabea, Cairo, 2000, p.32.

partners of partnership whose liability is unlimited and it may extend to their personal wealth. Consequently, insolvency of partnership leads to insolvency of its partners.

iii. Unlike the partnership which is managed by one or more on behalf of the partners, the Company is, usually, managed by a board of directors elected by shareholders.

v. As companies have perpetual succession, death or insolvency of shareholders does not have any bearing on the company's existence and functioning while a partnership is dissolved on the death or insolvency of any partner unless the contract otherwise stipulated.

Differences between companies and partnerships are vast though most of them disappeared in the modern Arab legal systems, including Bahrain, because the companies' law mixed between companies and partnership by granting legal personality to all of them.

2- The trend of Bahraini Law

Distinction between partnerships and companies is not based on differences of objectives; it is based on the relative importance of the identities and personal considerations of the partners, as well as, the role of the contract in the concerned entity.

Personal identities and individual's personality of partnership's partners are crucial as partnerships are based on what is called *intuitus personae* (personal considerations). Hence, the death of any member or losing his capacity may lead to liquidation of the partnership. In addition, the capital of such partnerships is divided to parts representing contributions of partners, these parts are nonnegotiable; i.e. the partnerships are closed institutions, only confined to their partners.¹

However, companies (institutions of capital) are not based on identity of members. They are, basically, based on *intuitus pecunnae* (pecuniary consideration) which are the contributions of partners to the capital. In other words, the company is an association of capital's contributions. The legal personality of a company, as previously indicated, is completely distinct and separate from partners. Therefore it is not to be affected, in any way, if any partner died or resigned or declared bankrupt. Shares representing participations of members, in most cases, are negotiable as companies are usually open associations

It should be noted that neither *intuitus personae* (the concept of personal consideration nor *intuitus pecunnae* (the concept of pecuniary consideration) are absolute. Partners of partnerships may adopt some elements from *intuitus pecunnae* to certain extent; for instance: members may assign their parts in the capital to specific persons. Similarly partners of a company may introduce certain elements of *intuitus personae* such as restricting negotiability of shares.²

Partnerships, under Bahraini law, are characterized by the unlimited liability of the joint partners and restrictions on assignments of interest, particularly to non partners. As mentioned earlier, they are entirely dominated by personal elements which affect the partners' legal relations, not only while constituting the partnership, but also during its existence. If the status of any partner is changed by death or bankruptcy or whatever, the partnership may be dissolved. Personal elements also dominate relations of the partnership and third parties; as partners are personally and individually liable to the creditors of the partnership.³

¹-Mahmoud AlKelany, Banking and Commercial Encyclopedia, 5th Vol, Commercial Companies, Dar AlthaqafaH, Jordan, 2009, p. 20.

²-Fatooh Abd Rahman Dooma, Libyan Commercial Law, [text in Arabic] National Bookshop, Benghazi, 1973, p. 208..

³-Mosleh A.At'arawneh, op.cit, p. 390. Al Kelany, op.cit, p. 207.

These general characteristics are common to all partnerships, though they may be modified either by statutes of the partnership or by the law, as will be discussed later.

3- Types of commercial companies and partnerships

Forms of commercial companies are determined by law in a limitative. The legislator does not differentiate between partnerships and corporations. All commercial associations which are mentioned in the commercial company law are called companies. It has been stipulated that commercial companies should take one of these forms determined by the law.¹

In addition to the joint Venture or the participation firm or as known (association in participation),² there are seven forms of business organization in which commercial business could be established. Two of these are partnerships and another three are corporations. The remaining two are mostly economic phenomena rather than legal concepts. The partnerships are: General partnership, limited or Simple partnership³. The three companies are: the Joint Stock Company, limited partnership by shares and the With Limited Liability Company.⁴ The last two are: the Sole Proprietorship and the Holding Company.

It should be noted that in Arab literature all types of business co-operations are called company. Therefore, linguistically, partnerships and companies in Bahrain are both known as companies. This idea explains why some writers wrote for example (General Partnership Company).⁵ It should be noted that, legally is a mistake, the business entity is either a company if it is based on capital or a partnership if it is based on personal elements,

4- Conclusions

In spite of the contractual basis, commercial companies, however, in many respects lost their purely contractual character. The rules that govern companies are often of a mandatory nature and cannot be contracted out of. Consequently, the commercial company can be considered as an institution rather than a contract. It is true that companies are based on agreements of contractual nature, which are sufficient to subject them to rules of contracts in both commercial law and civil code.

The contract establishing commercial partnership or a company is described as a particular. Therefore, it must satisfy four peculiar specific requirements,⁶ namely:

- 1- A partnership or a company can only exist if is partnered at least, by two persons. However, under the law 21 of 2001 of Bahraini Commercial Company Law, a single person may incorporate a single man proprietorship or, in other words, sole owner company.
- 2- A company or a partnership only can be established if each of the participants contributes to the company's capital for which he receives one or more of its shares. This contribution could be in cash or in kind. In certain cases it may a form of action such as management of the business.

¹-Mahmoud Alkelany, op.cit, 209 et seq. Mohammed Helalya, op.cit, p.91 et seq.

²-This partnership is called in Bahrain "*Sharikt al Mahasa*".

³-They are known by their Arab names which are respectively: *Sharikat Tadhamun and Sharikat Tawsiyah Baseeth*.

⁴-Their Arab names respectively are: *Sharikat al Mosahamh. Sharikt Tawsiyah Bel ashum, and Sharikat that Massoliyah Mahdoda*.

⁵-For example Kamiran Al Salhi in his book: Commercial Company Law in Bahrain.

⁶-Mohammed Helalya, op.cit, p. 22 et seq. Kameran Al Salihi, op.cit, p. 23 et seq.

- 3- The purpose of a partnership or a company is to generate profits to be shared between partners. In other words, it is necessary that the intended objectives for which the company or the partnership is formed to achieve or carry on are capable of generating profits that at least partly, be shared among partners. In ret, partners contribute to the losses incurred; this is indispensable counterpart of the right to share in profit.
- 4- The company or a partnership may not exist unless partners act together on an equal footing in pursuit of common goals as without *affictio societatis*¹ or what can be called intention of co-operation, the targets of the project may not be fulfilled.

In addition to these conditions, contracts establishing commercial entities (partnerships and companies) must satisfy the legal requirements of contracting. Consequently, parties of a contract must be competent, expressing their consent freely, aiming to fulfill eligible objectives of legitimate reasons.

The following chapter will discuss the general provisions of setting up companies through explaining pillars of company's contract.

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¹-The *Affectio Societatis* This is the French legal concept that means that two people or more share the same idea, and personally commit themselves to achieving the purpose of the association. The combining of contributions and the sharing of profits are not always enough to distinguish a contract of partnership from other juridical acts, such as association and in division. The courts and legal authors have therefore added an indispensable subjective criterion: the intention to be involved in a partnership or *affectio societatis*, which is enshrined in the new Civil Code by the expression [spirit of cooperation].

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