



People have been cooperating for mutual benefit since the dawn of time and continue to do so in both formal and informal ways. One of the formal ways of cooperating is through a co-operative.

Characteristics of a co-operative are:

- A co-operative exists to meet a common need and can be described as a collaborative enterprise
- It is independent, democratically controlled and voluntary
- It is a flexible legal form of incorporation and can be structured according to need
- The owners of the co-operative are known as members
- The members join the co-operative because they can obtain greater benefits together than as individuals
- The primary benefits of being a member arise from the activities of the co-operative.
- Co-operatives generally have rules that ensure that members must remain active in the co-operative to retain their membership.
- The members can be people or other legal entities such as other co-operatives, companies or incorporated associations
- The members make decisions by coming together in a formal way as a general meeting in accordance with the co-operative's rules

Examples of co-operative people and their common needs are:

- Consumers who use the enterprise to acquire products or services (such as a retail co-operative, housing, health-care or day-care co-operative)
- Producers (such as independent entrepreneurs, artisans, or farmers) who use the enterprise to process and market the goods or services they produce, or to buy products or services necessary to their professional activities
- Workers who use the enterprise to secure their employment and control their working conditions.

Unlike companies, which are under Commonwealth law, co-operatives are governed by state-based legislation. This distinction does not reduce a co-operative's capacity to conduct business in the same way as a company.

Co-operatives operate democratically (one person, one vote) through two bodies. These are a general meeting of the members, and the board of directors. The board is composed of members elected at the general meeting. The co-operative's start-up capital usually comes from co-operative shares purchased by members. Each member's liability is limited to the amount of his or her share in the capital of the co-operative. In general, the minimum number of members of a co-operative is five.

For a co-operative to function, its income must be greater than its expenditure. In other words, it must earn more than it spends. This profit or surplus can be retained by the co-operative or, distributed to its members by way of dividend.

The capital structure of a co-operative can be designed to suit the members and established with, or without, membership shares. Other share structures can be designed to suit particular needs.