

2017

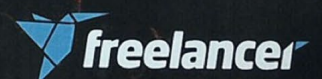
ANNUAL REPORT

TASK HUMANS FROM SOFTWARE
27 MILLION HUMANS

LOCATION OF
FREELANCERS



FREELANCER.COM/API



This Drone Photography cost

\$40

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Chairman's Letter



In 2017, Freelancer had a challenging year, with revenue of \$50.3 million (-5%) and Gross Payment Volume of \$588 million (-12%). As at 31 December 2017, the Company ended the year with cash and equivalents of \$31.9 million and no net debt. Operating cash flow was breakeven at \$(0.6) million for the year.

A detailed analysis is provided in the Review of Operations and we are confident that the issues the group faced in 2017 are for the most part resolved.

On the Freelancer side of the business, from April 2016 we suffered from a slowdown in growth from issues in the core desktop fixed-price project funnel, primarily driven by the introduction of a new "1-click" funnel for posting projects. While initially this change tested positive statistically and lead to a large increase of new projects being posted as intent was better captured, this funnel resulted in lower entropy projects, which over time led to second order effects on

marketplace quality. After identifying the root cause we reverted this change, and over the last 8 months health is returning to the marketplace, as can be evidenced by a rebound in Gross Marketplace Volume, from which revenue will follow.

In FY17 we also made a number of decisions to lift long term marketplace quality, customer satisfaction and retention, at the expense of short term revenue. This included tightening up the subscription funnel for membership plans, to ensure that only customers that would achieve tangible value subscribed. Similarly, we cut back on the promotion of upgrades to improve the user experience. We also improved the refund policy to increase the ease and scope of refunds.

Collectively these changes have seen our Trustpilot score lift to 8.7 and NPS for tickets to 63, which qualitatively puts our support between "excellent" and "world class".

In FY17 we added 2.4 million new jobs (to 13.0 million) and 4.3 million new users (to 26.6 million) to the marketplace. These are projects and contests that range from something as simple as a \$10 logo design to something as complex as designing a robotic arm for a free-flying robotic astronaut on the International Space Station for NASA. This further affirmed our leading global position as the world's largest freelancing and crowdsourcing marketplace by total number of users and projects posted.

On the Escrow.com side, the business is now well positioned for growth. We have spent the last two years since acquisition completely overhauling the business. These improvements include but are not limited to a complete overhaul of the technology stack, migration of the platform to Amazon Web Services, a large amount of payments automation, extension of the regulatory footprint from 8 money transmission/escrow licenses

to 45 granted or in-application, moving the head office to San Francisco and rebuilding the team in five countries. This culminated in late 4Q17 with the launch into beta of the Escrow.com Platform API, which allows the product to be integrated as simply as Paypal. We are now starting to see the API being used in businesses as diverse as marketplaces for online stores, automobiles, high end audio equipment and airplanes. I am very excited by the opportunities in store for Escrow.com.

Freelancer is changing the global dynamics in the marketplace for people. We operate in a huge market, the global market for labour services, which is by some estimates a trillion dollar market. Five billion people live on \$10 a day - five billion people that could potentially find a better job. Escrow.com is the second leg of this business, similar to Alibaba/Alipay, Ebay/Paypal or Amazon/Amazon Payments- a phenomenal asset which

also has tremendous potential in the world of payments.

The Board and myself personally wish to thank and acknowledge the support of all of our staff, shareholders and our 30+ million users across the group who come from every country in the world. None of this would have been possible without you.

Regards,

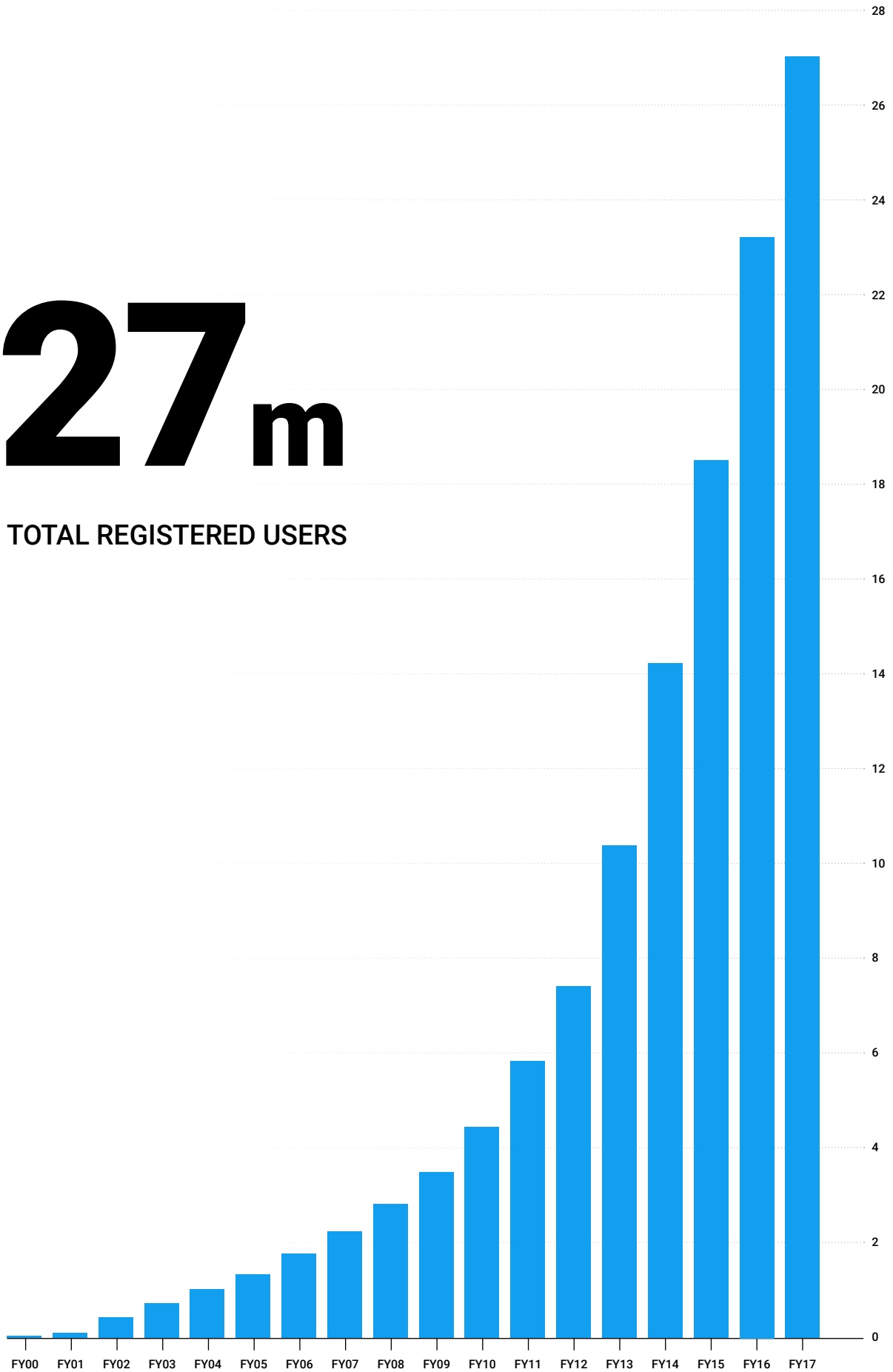


Matt Barrie
Chairman

5 April 2018

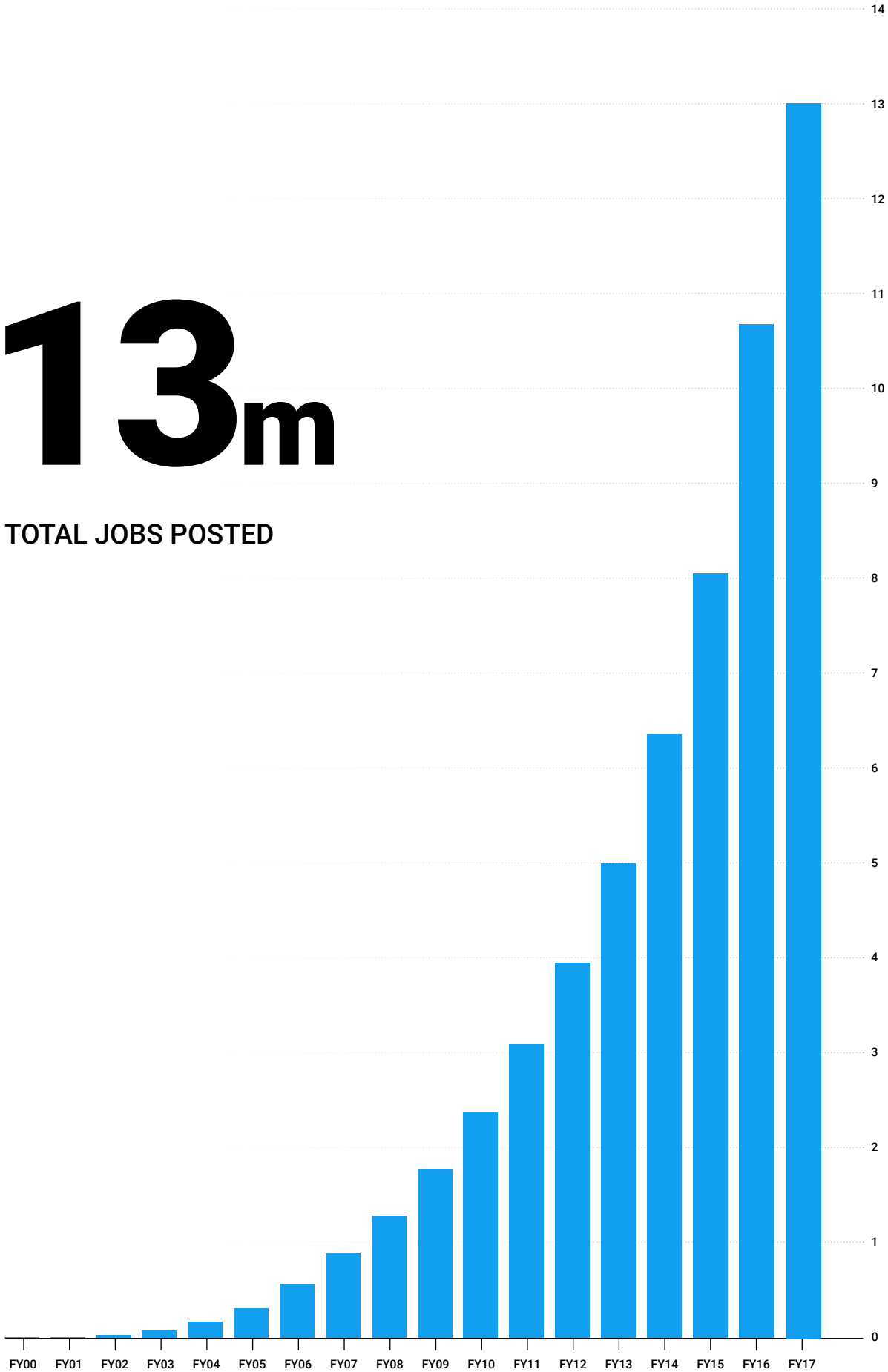
27m

TOTAL REGISTERED USERS



13m

TOTAL JOBS POSTED



Marketplace Statistics

Freelancer is a game-changer for entrepreneurs, small businesses, and large organisations. We provide easy access to talented freelancers from all around the world, who offer a wide range of services at competitive prices.

\$193

AVERAGE COMPLETED PROJECT SIZE IN USD

80%

OF JOBS RECEIVE A BID WITHIN 60 SECONDS

504k

MESSAGES SENT PER DAY

27m

TOTAL REGISTERED USERS

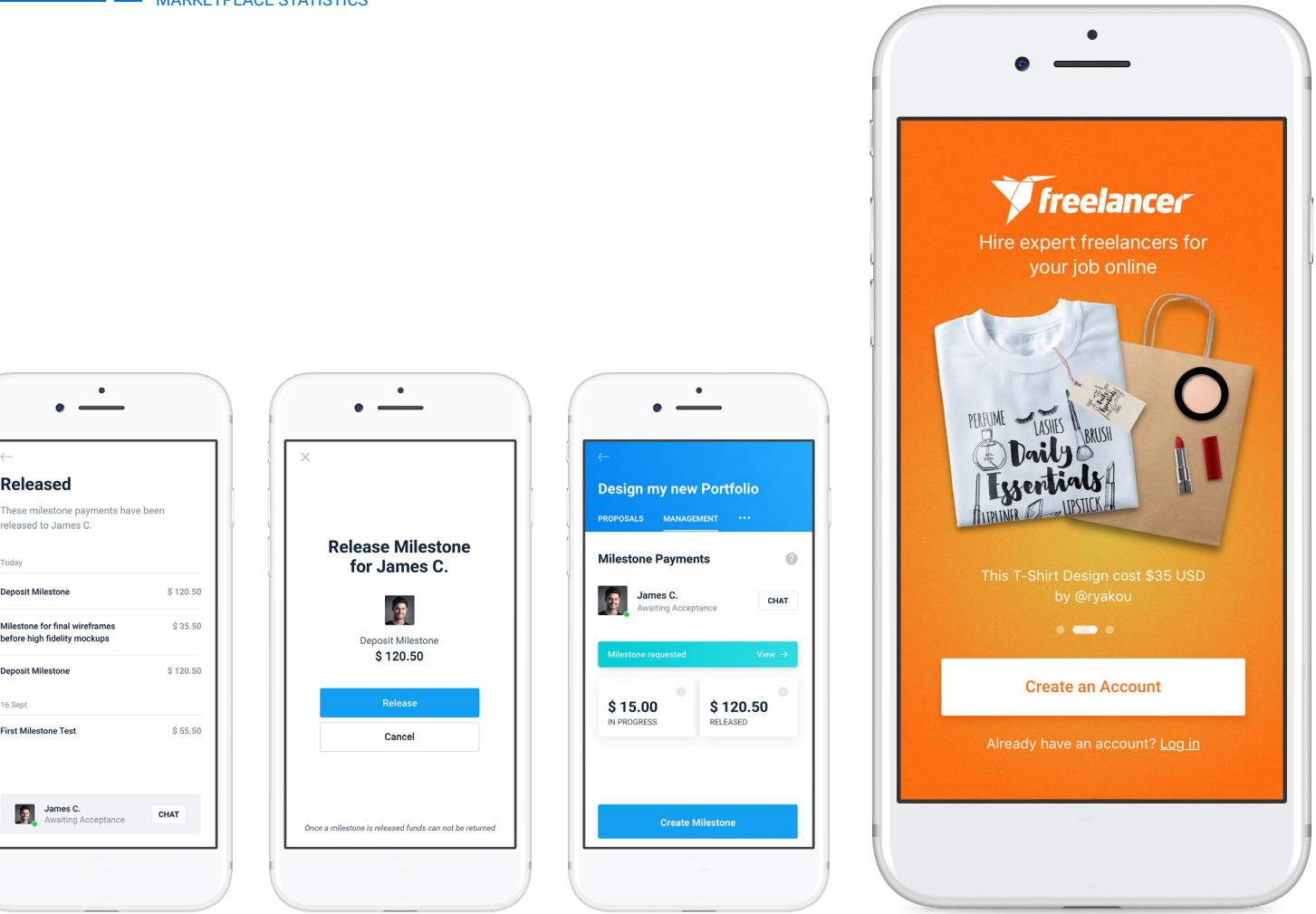
13m

TOTAL JOBS POSTED

\$3b

3,000,000,000+ USD IN JOBS POSTED





FREELANCER MOBILE

The world’s largest freelancing site in your pocket. It’s Freelancer... anywhere you go.

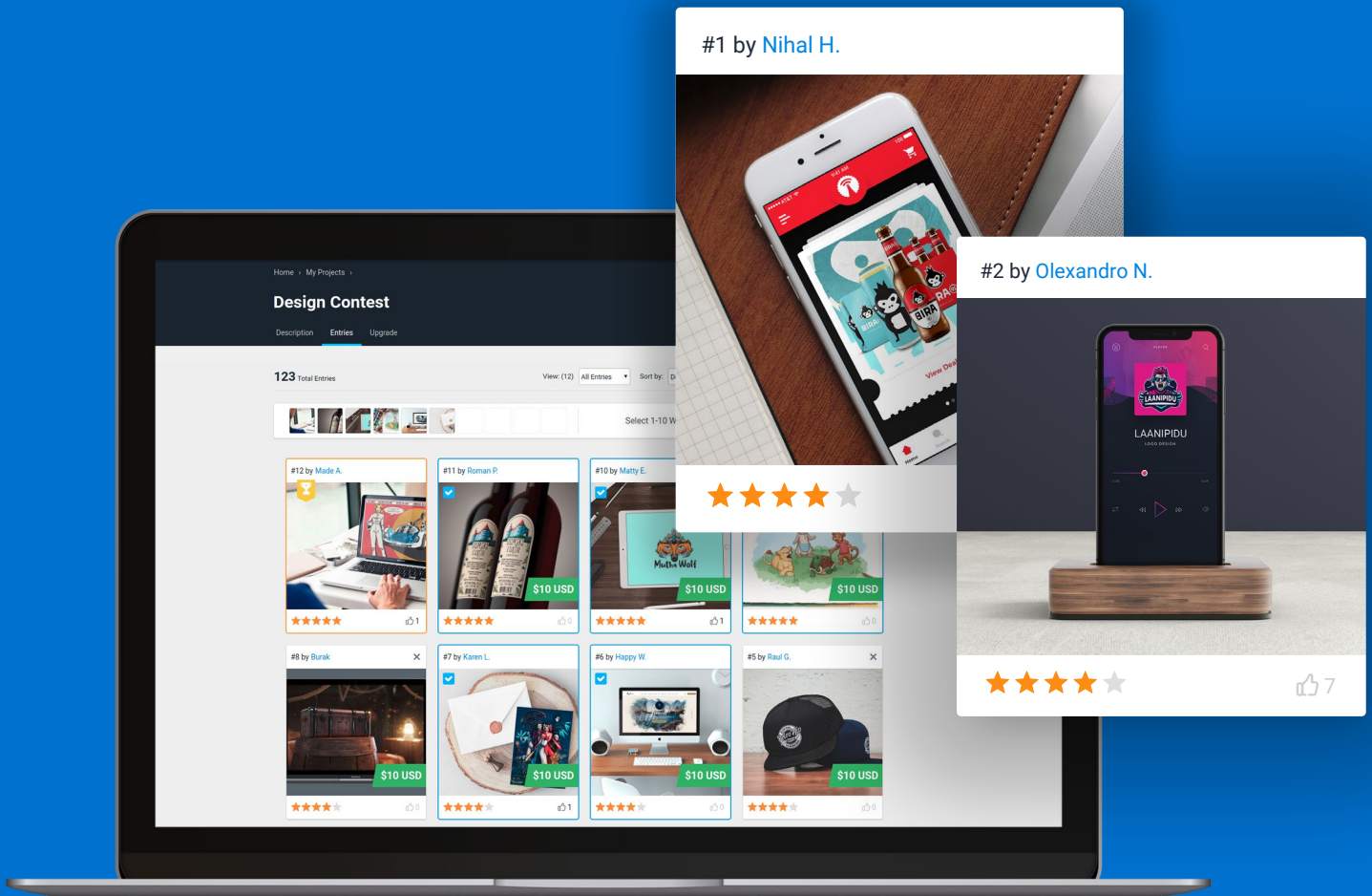
In 2017, the project management funnel was redesigned with a mobile first approach; features such as file attachments in chat and new payment sources, like Paypal, were introduced. The Android application was also translated into Chinese and published to the Huawei App store. There were great achievements in funnel optimisations and a push for more feature parity between the mobile and desktop platforms. Notably, these efforts have resulted in a 66% YoY growth in mobile projects being posted and 49% YoY growth in mobile paid fees.

2m+

2,000,000+
DOWNLOADS OF
ANDROID APP

85%

OF PROJECTS
TOUCH MOBILE
DEVICES



FREELANCER CONTESTS

Entries to contests have seen explosive growth in 2017, up 58% from 2016.

Contest holders can now award prizes to multiple freelancers per contest. For example, a contest holder can now create a cookbook by awarding a prize to each freelancer who entered their contest with a great recipe and photo.

Friends and colleagues can now be invited to help contest holders rate and give feedback on entries with the share feature as we build out our collaborative features across the platform.

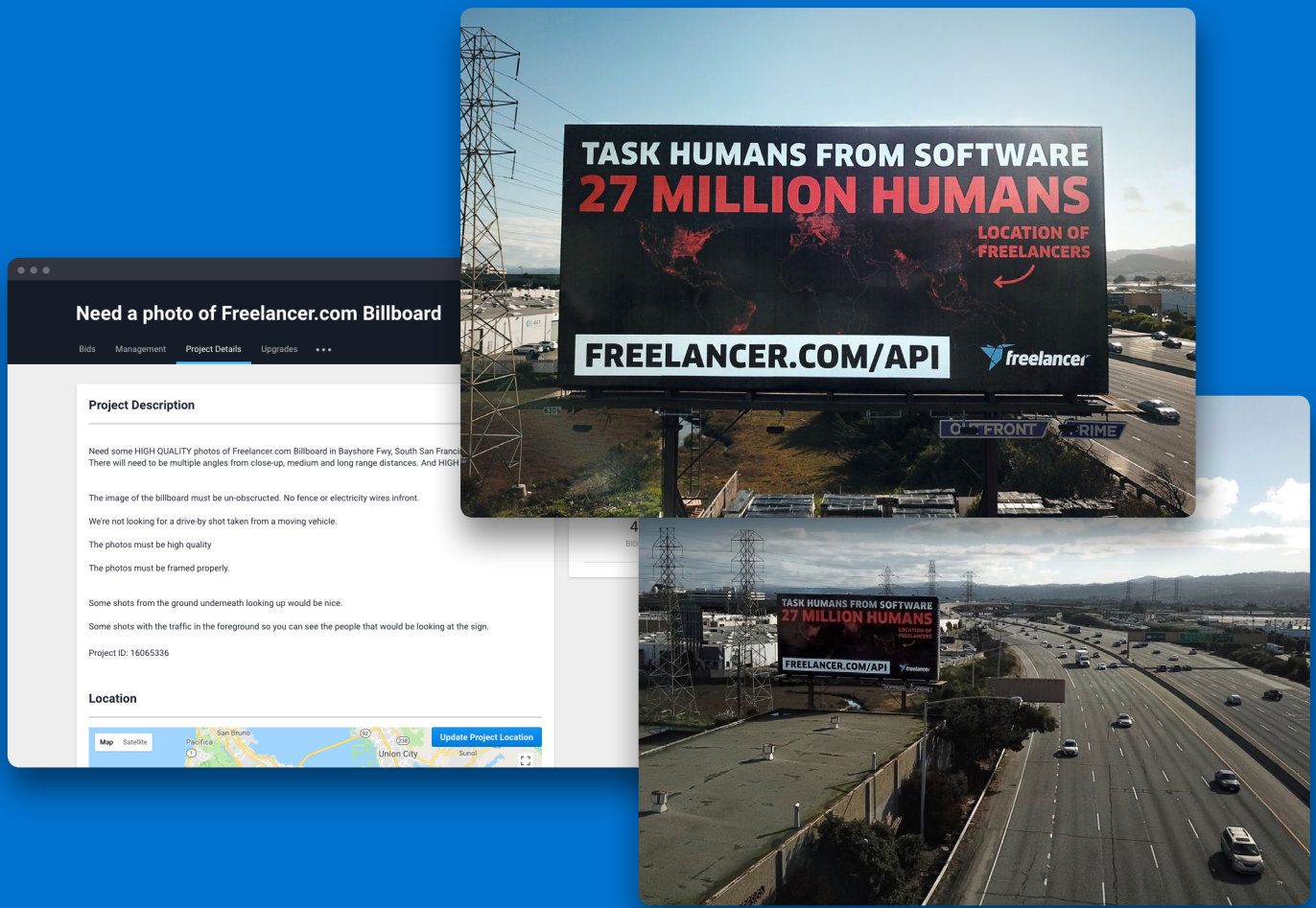
More and more organisations are crowdsourcing their needs using our platform, including organisations such as NASA and Harvard, where we have seen contests range from video production, graphic design through to engineering and application design.

90

AVERAGE ENTRIES PER CONTEST

62%

OF CONTESTS RECEIVE ENTRIES WITHIN 1 HOUR



FREELANCER LOCAL JOBS

Get anything done, anywhere in the world with local jobs.

No other freelance marketplace in the world has a userbase as large or internationally diverse as Freelancer. Now you can hire someone with not just any skill, but any location. Local jobs with a specific skill in a specific location receive five bids per project on average, with an average time of 15 minutes for the first bid and 65% of projects receiving bids in under an hour. And all these bids are from freelancers within a short distance from a given project location, anywhere in the world.

65%

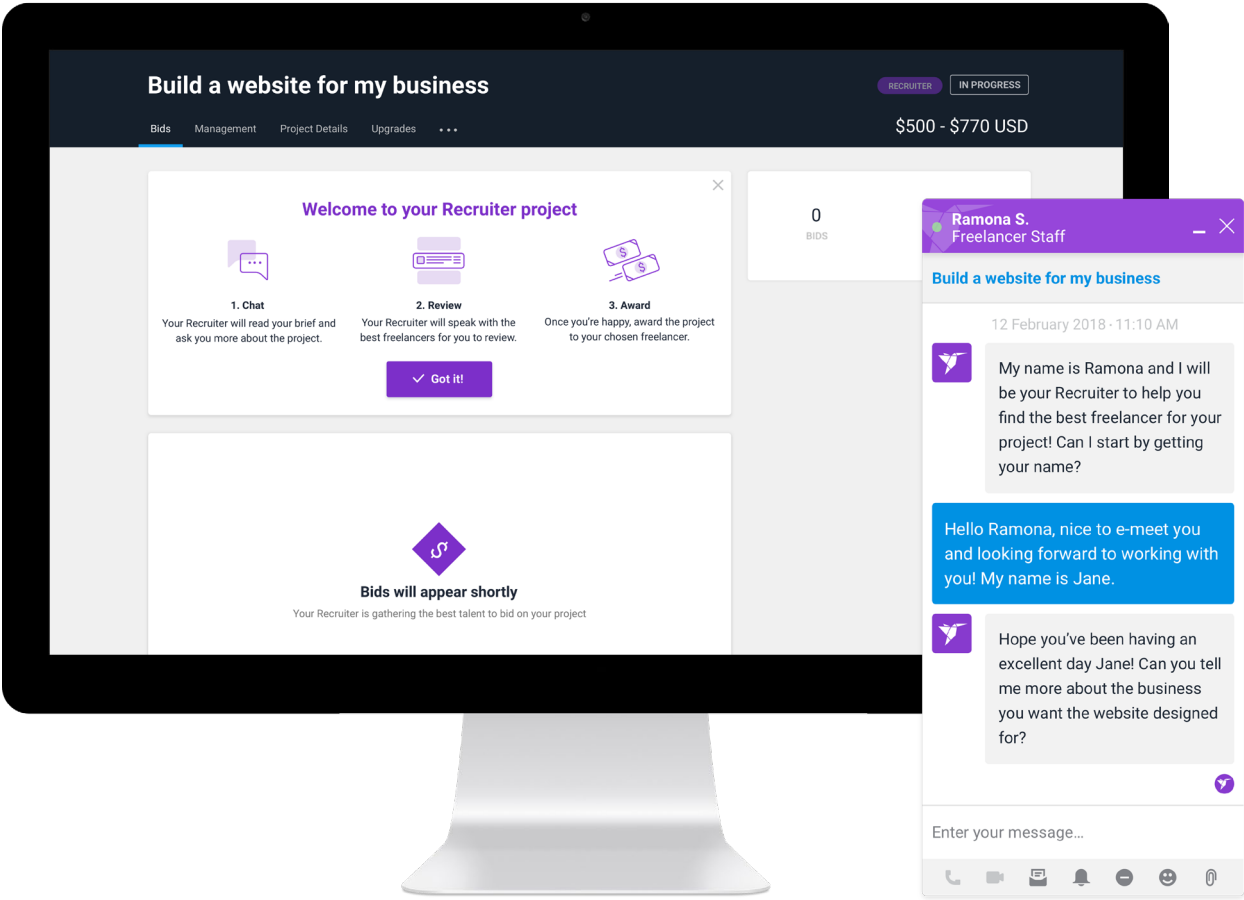
OF JOBS RECEIVE A QUOTE WITHIN ONE HOUR

15

MINUTES AVERAGE TIME TO FIRST BID

5

BIDS PER JOB AVERAGE GLOBALLY



RECRUITER

Leave the work of finding the perfect freelancer to an expert.

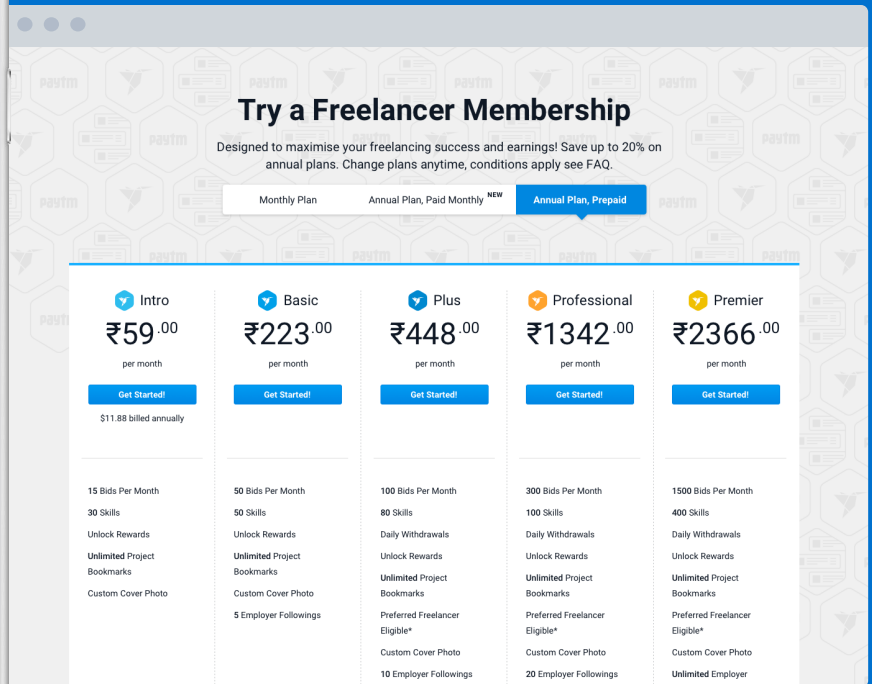
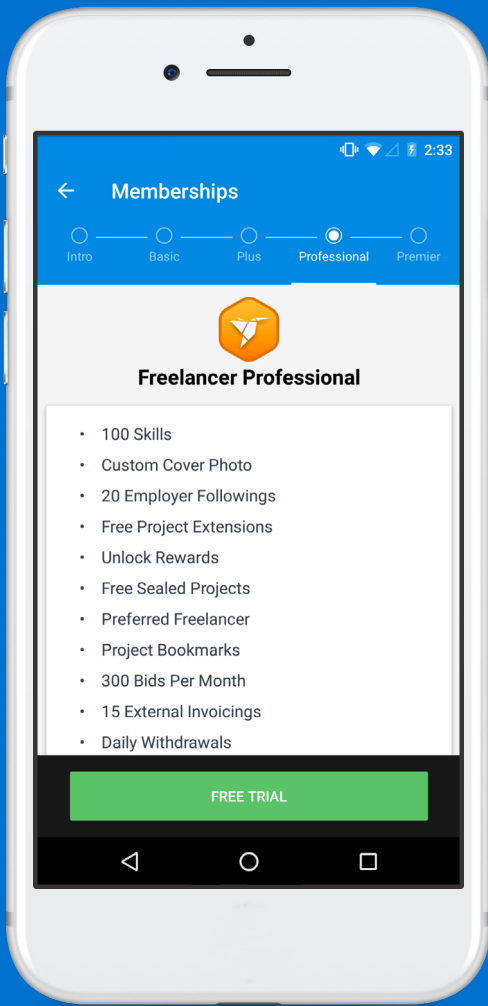
Recruiter projects grew substantially in 2017 with 71% growth in 2H17 compared over 1H17, leading to an 83% increase in Gross Marketplace Volume for the same period. The service is particularly popular for large or complicated projects. The rise in popularity of Recruiter has increased the attraction of the Preferred Freelancer Program, a pool made up of the top 1% of freelancers on the site.

71%

GROWTH IN RECRUITER PROJECT VOLUME

83%

INCREASE IN GROSS MARKETPLACE VOLUME



FREELANCER MEMBERSHIPS

Making it easier for freelancers to earn more money.

We added support for Paytm - an Indian payment provider similar to PayPal, tapping into a large pool of users who were previously unable to purchase memberships. In addition to this, we also began offering annual memberships on a discounted lock-in contract. This allows users the benefit of an annual discount, whilst not having to invest a large amount of money upfront.

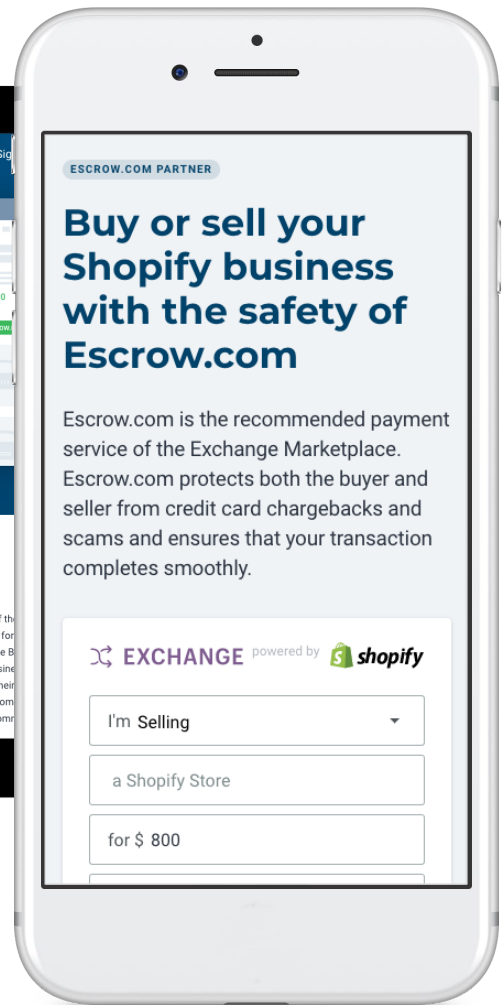
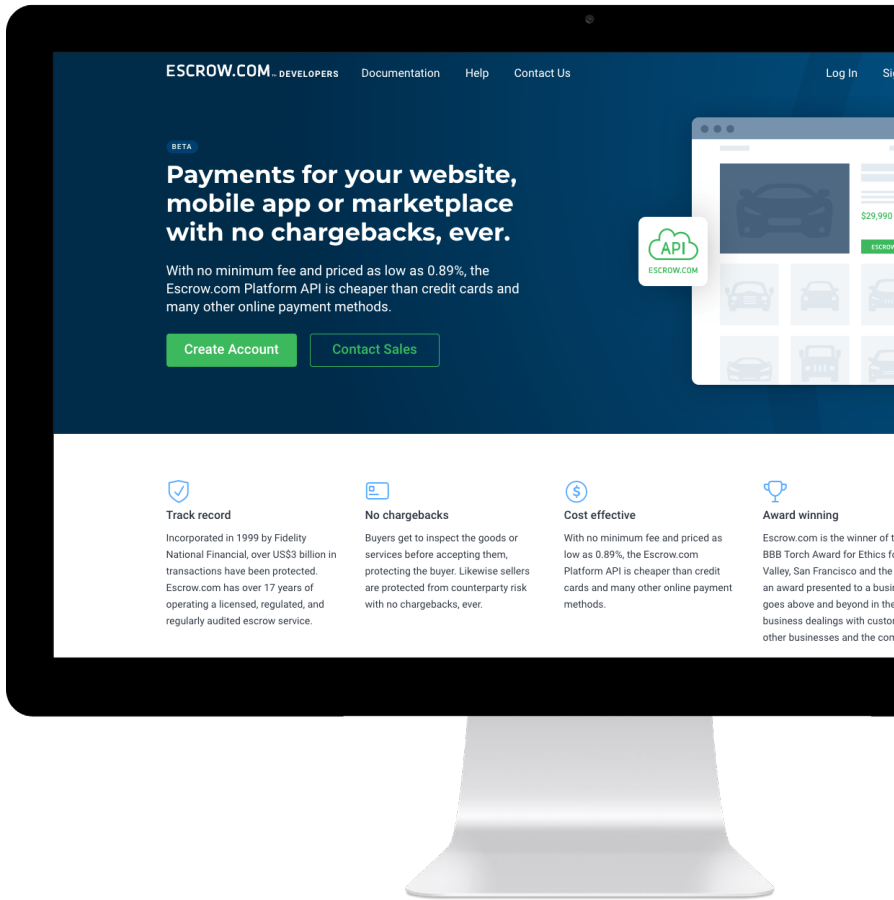
A new Corporate Membership plan was also added, allowing many freelancers who operate different businesses to now manage separate profiles in a manner similar to Facebook Pages for businesses. This has seen 180% growth since June 2017.

100%

EARNINGS GROWTH FOR PROFESSIONAL MEMBERSHIPS

180%

GROWTH IN CORPORATE MEMBERSHIP USERS



ESCROW.COM

Payments for your website, mobile app or marketplace with no chargebacks, ever.

Escrow.com released the Platform API, which enables websites and apps to integrate the trust and safety of Escrow.com directly into their platform. Additionally we launched a API based plugin for the popular Wordpress platform WooCommerce, the dominant ecommerce solution globally.

Escrow.com revamped the payments backend by introducing a new trust accounting system, moving away from a legacy technical stack. Payments automation continued, along a revamp of our anti-money laundering know your customer system, which now processes the vast majority of submissions within one hour.

1.1m

1,100,000+ REGISTERED USERS

\$3.5b

\$3,500,000,000+ USD IN PAID TRANSACTIONS

5

SPOKEN LANGUAGES BY OUR SUPPORT TEAM



Scott Farquhar

Atlassian

STARTCON

Australia's largest startup & growth conference. Sold out 8 years in a row.

StartCon (a Freelancer.com company) successfully hosted Australia's largest start-up and growth conference in Sydney, which is in its ninth year. The conference held in Q4 of 2017, saw huge increases in numbers from 2016 across all aspects of the event, including over 3500 (up 16%) attendees, 122 (up 20%) exhibitors including 60 (up 20%) startups in Startup Alley, 90 (up 5%) start-ups in the pitch competition, and 63 (up 8%) speakers of which 19 (up 26%) were international.

3.5k+

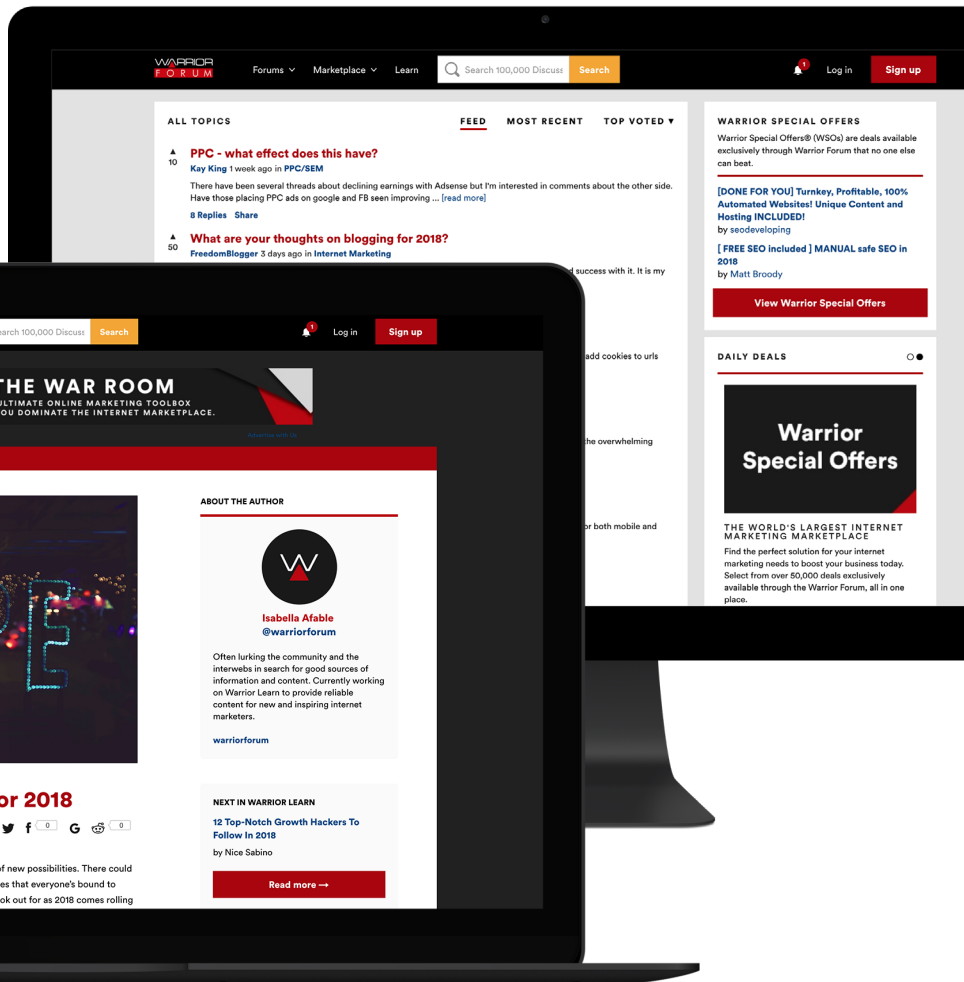
ATTENDEES

125+

EXHIBITORS

600+

STARTUPS



WARRIORFORUM.COM

The world's #1 Internet marketing community & marketplace since 1997.

Warrior Forum continues its expansion as the world's top internet marketing forum. As a fountain of up to date content, Warrior Forum is the number one place that marketers and startups learn from experienced internet marketers.

Over the last 12 months, we've partnered with some of the biggest names in Internet Marketing, whether it's helping Sean Ellis & Morgan Brown launch their best selling book, Hacking Growth or hosting Dennis Yu of BlitzMetrics on our podcast to talk about the ever-changing world of Facebook Ads.

1.3m
REGISTERED USERS

10.3m
10,315,000+ POSTS

1.03m
1,033,000+ DISCUSSIONS

Change Lives.

We are **changing lives** in the developing world by providing **opportunity** and **income**.

“Freelancer has skyrocketed me into a position where I can provide for my family. It has taught me a multitude of skills and has privileged me with the opportunity to work when, where and how I want to.”

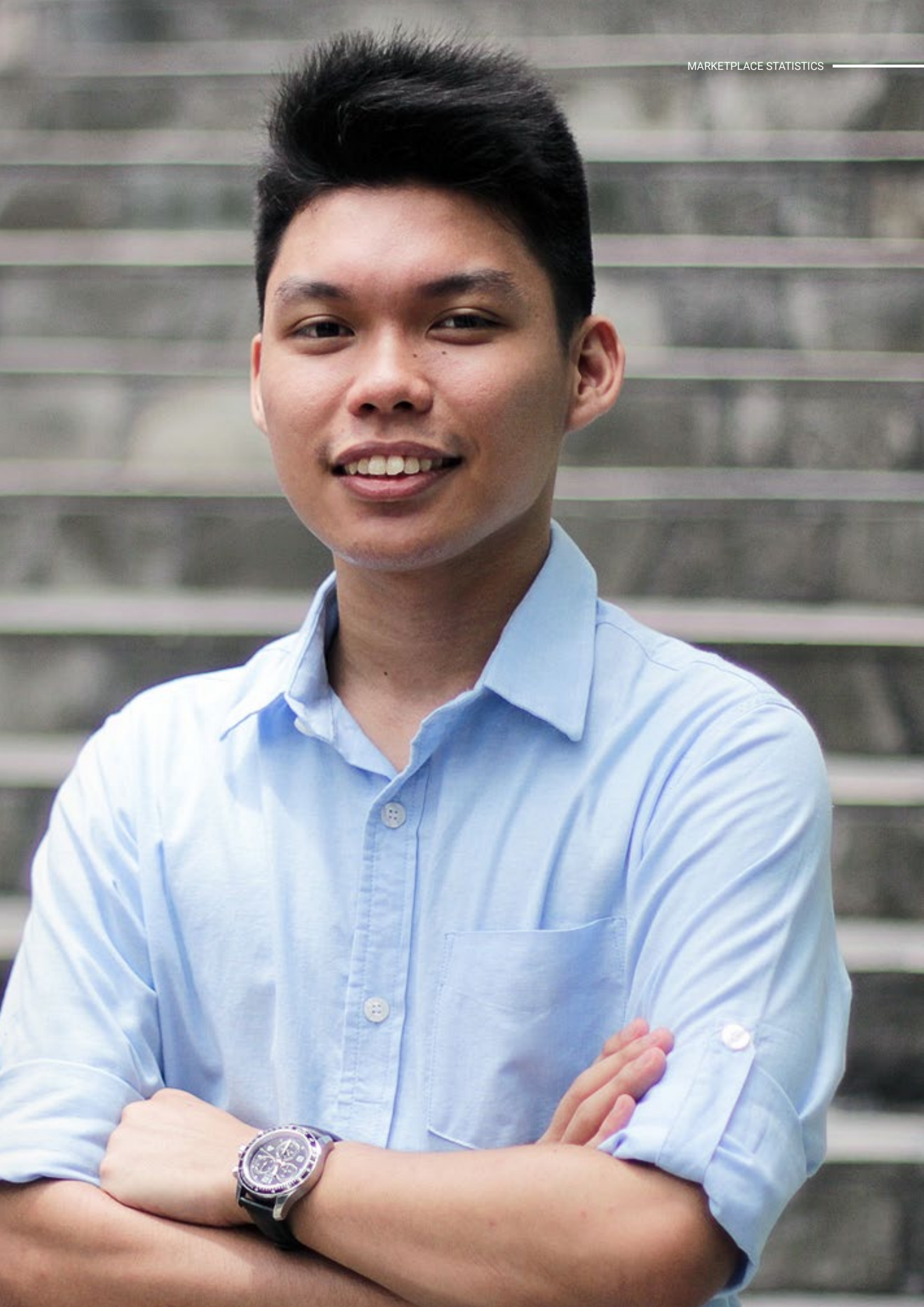
Ian Clement Fosgate

Web Developer
Phillippines



5.0 / 5.0 rating, 144 reviews







We continue **defining** the **future** of online **work.**

“As Freelancer continues growing and more people understand the power of outsourcing, it will only get stronger. I see this as the future for work and I am so excited to be in on it at the ground level.”

Jessie Weatherley

Marketing Expert
Victoria, Australia



4.8 / 5.0 rating, 53 reviews





Change Lives.

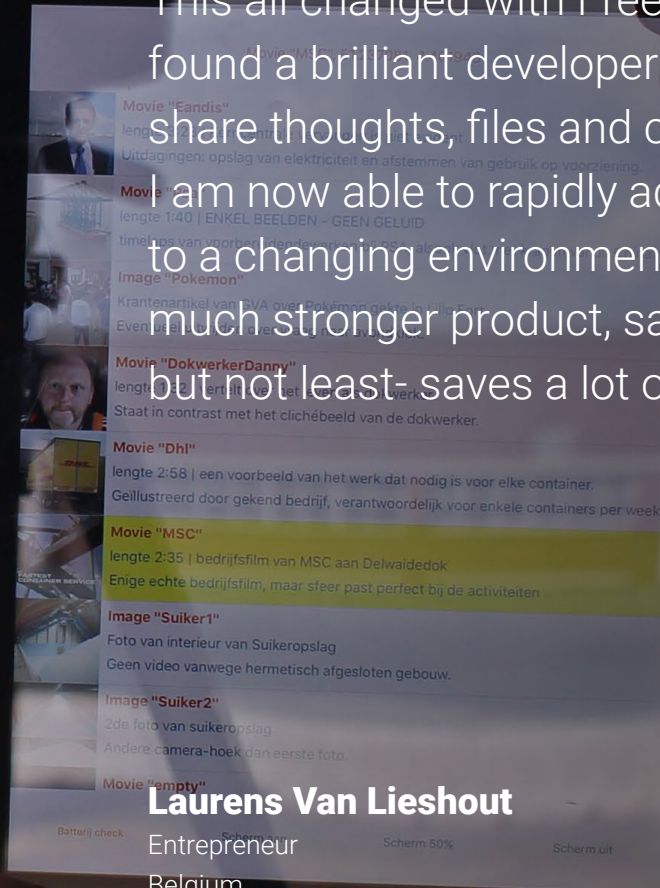
We help **small businesses**, startups and entrepreneurs turn that spark of an **idea** into **reality.**

“My business offers touristic tours guided by iPads. It’s critical for us to be able to rapidly change the content and experience. Working with a local agency turned out to be impossible, I had to wait days for every small update and paid thousands of euros for every misstep along the way.

This all changed with Freelancer. I quickly found a brilliant developer with whom I can share thoughts, files and code. With his help I am now able to rapidly adapt my business to a changing environment. This creates a much stronger product, saves time and last but not least- saves a lot of money.”

Laurens Van Lieshout

Entrepreneur
Belgium



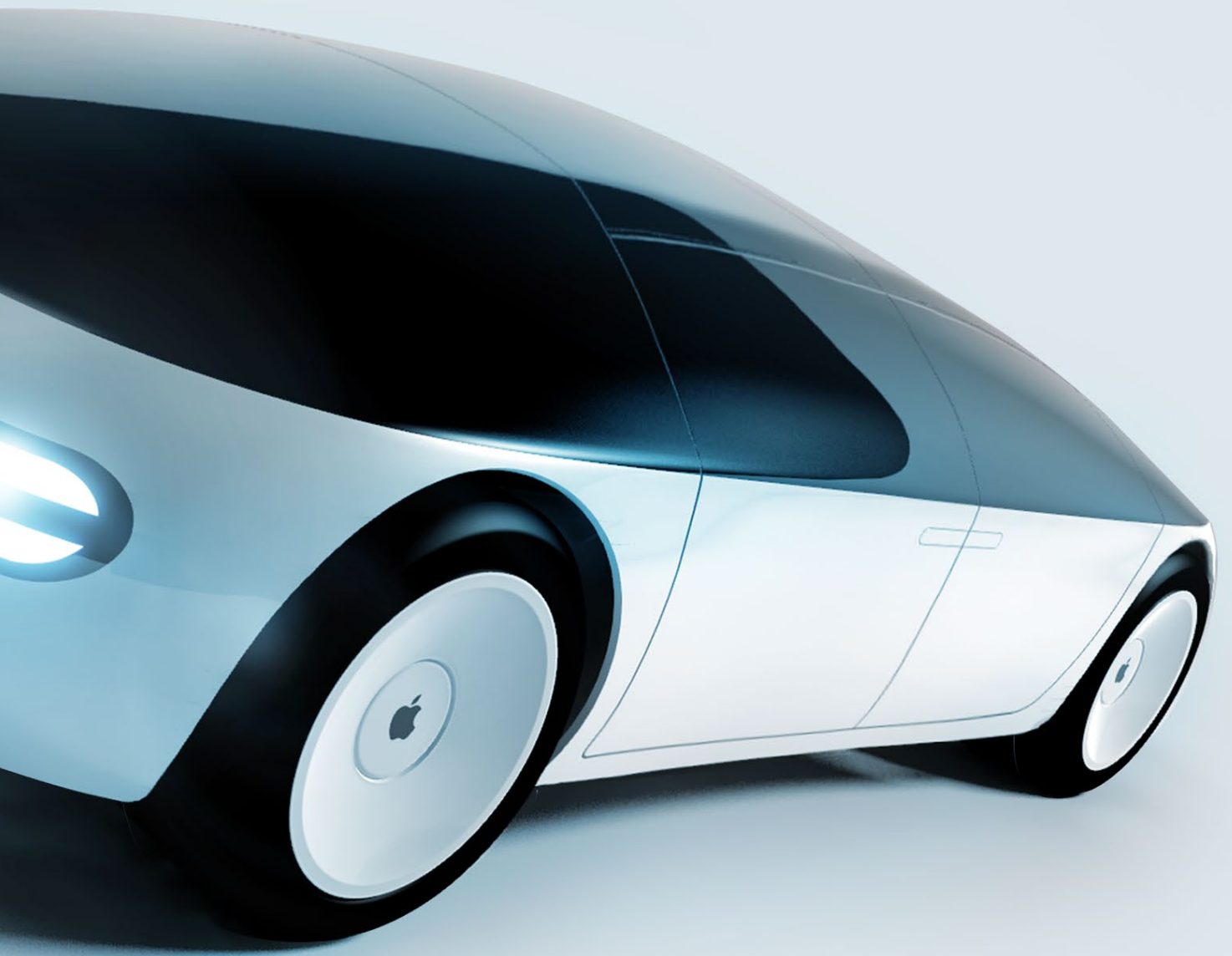


This **CAD**
design cost

\$1,500

Real project completed at
freelancer.com. Have an idea? Post your
project today and get free quotes!







This **website design** cost

\$114

Real project completed at
freelancer.com. Have an idea? Post your
project today and get free quotes!



os por compras superiores a \$90.000 | Devolución Gratis

sac@unique.com.co



🛒 \$0

👤 Sebastián Hortúa

HOMBRE

MUJER

GAFAS DE SOL

MADERA

BAMBOO

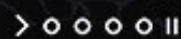
MI CUENTA



l Feeling

or sit amet, consectetur adipiscing elit,
tempor incididunt ut labore et dolore

AHORA





This **package design** cost

€100

Real project completed at
freelancer.com. Have an idea? Post your
project today and get free quotes!



MILK CHOCOLATE *with*
COCONUT

HAND CRAFTED FROM BEAN TO BAR





This **logo**
design cost

\$60

Real project completed at
freelancer.com. Have an idea? Post your
project today and get free quotes!



2017 Awards

This was a stellar year for Freelancer.com in terms of awards and recognition. We won a total of 18 awards, including 10 International Business Awards, the 2017 SPi Global Technology Company of the Year, an award in the 2017 Premier's NSW Export Awards and Escrow.com won the BBB Torch Award for Ethics.



Premier's NSW Export Awards 2017

The Premier's NSW Export Awards is an annual program which aims to recognize excellence in the export of goods and services by NSW business. Freelancer won the award for 2017 NSW Innovation in Export category.



ASIA CEO Awards

The award is open to corporate organizations, academe and startup companies in Asia Pacific that focuses on Information and Communications Technology, Bio Technology & Material Science, Sciences and Math & Engineering. Freelancer won the award for 2017 SPi Global Technology Company of the Year.



BBB Torch Award

Escrow.com won the BBB's most prestigious award, the BBB Torch Award for Ethics for Silicon Valley and the Bay Area. It is presented to a business that goes above and beyond in their business dealings with customers, other businesses and the community.



Stevie Awards

This year Freelancer.com won a total of 15 Stevie Awards, including 10 Stevie International Business Awards (IBA) and 5 Asia Pacific Stevies. Escrow took out gold for Financial Services Company of the Year.

Stevie Awards

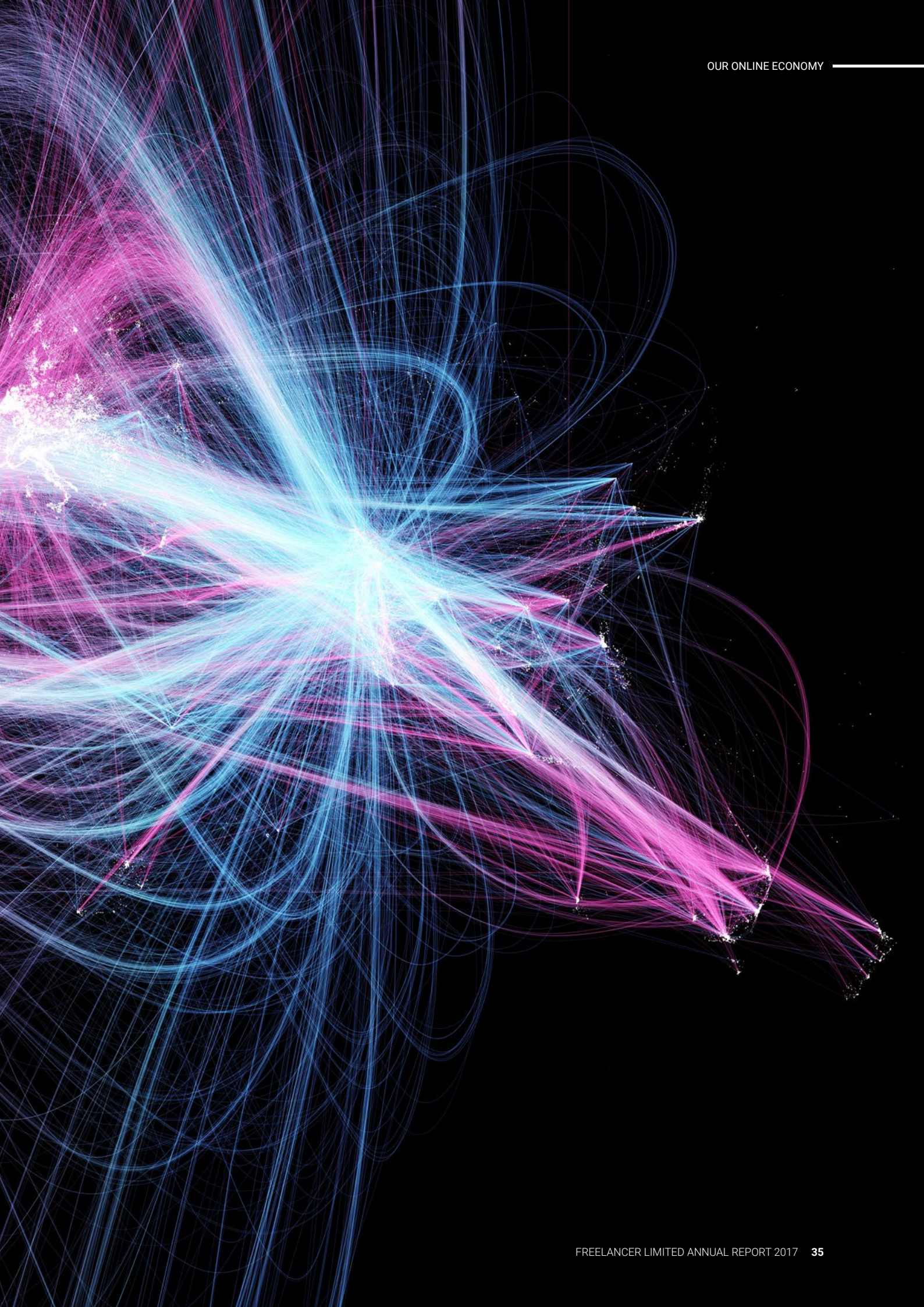
Stevie International Business Awards (IBA): We won gold for Financial Services Company of the Year (Escrow.com), Communications Department of the Year and Professional Services, silver Executive of the Year - Internet/New Media (Matt Barrie), Financial Services (Escrow.com), PR Executive of the Year (Sebastian Siseles), Business Services, Most Innovative Tech Company of the Year, and Best User Experience. We won Bronze for Best Web Writing/Content (Warrior Forum).

Asia Pacific Stevies: Open to the 22 nations of the Asia-Pacific region, we won gold for Innovative Management in Technology Industries and Innovation in Shopping or E-commerce Websites; as well as three bronze for Excellence in Innovation in Technology Industries, Innovation in Shopping or E-commerce Apps, and Innovation in Technology Development.

Our Online Economy

This map illustrates the Freelancer online economy. The pink lines indicate where projects are being posted by employers, and the blue lines indicate where the projects are being performed by freelancers. Thicker lines indicate a higher dollar volume of work. White dots indicate the location of Freelancer's users. Edges are sampled data from awarded projects in 2017.





Directors' Report

Your Directors submit the financial report of Freelancer Limited (the Company) for the year ended 31 December 2017. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows.

The names and particulars of the directors of the Company during or since the end of the financial year (Directors) are:



Matt Barrie

Executive Chairman
(appointed 10 April 2010)

BE (Hons I) BSc (Hons I)
GDipAppFin MAppFin MSEE
(Stanford) GAICD SEP FIEAust

Founder and Executive Chairman of the Company.

Serial entrepreneur with extensive experience and knowledge in the technology sector. Previously co-founded and was CEO of Sensory Networks Inc., a vendor of high performance network security processors, which was acquired by Intel Corporation Inc. in 2013.

BE (Hons I) BSc (Hons I) GDipAppFin MAppFin MSEE (Stanford) GAICD SEP FIEAust

Formerly Adjunct Associate Professor at the Department of Electrical and Information Engineering at the University of Sydney. Co-author of over 20 US patent applications.

Qualifications include first class honours degrees in Electrical Engineering and Computer Science from the University of Sydney, Masters in Applied Finance

from Macquarie University, Masters in Electrical Engineering from Stanford, California, Graduate of the Stanford Executive Program at the Graduate School of Business, Fellow of the Institute of Engineers Australia and Councillor of the Electrical and Information Engineering Foundation at the University of Sydney.

Relevant interest in 200,312,653 fully paid ordinary shares, including a relevant interest in 7,516,467 fully paid ordinary shares by virtue of having a voting power of over 20% in the Company, which has a relevant interest as a result of trading restrictions over shares issued under the Employee Share Plan.

Beneficial interest in 192,796,186 fully paid ordinary shares (representing 42.2% of issued capital).

Member of the Nomination and Remuneration Committee and Audit Committee.



Darren Williams

Non-Executive Director from 1 November 2015.

Executive Director until 31 October 2015 (appointed 10 April 2010)

BSc (Hons I) PhD (Computer Science)

Non-Executive Director of Company. Was the Chief Technology Officer and Executive Director of the Company until 31 October 2015.

Extensive experience in computer security, protocols, networking and software. Previously co-founded and was CTO (and subsequently CEO) of Sensory Networks Inc., a vendor of high performance network security processors, which was acquired by Intel Corporation Inc. in 2013.

BSc (Hons I) PhD (Computer Science)
Previously lectured Computer Science at the University of Sydney. Author of numerous articles, patents and papers

relating to security technology, software and networking.

Qualifications include first class honours degree in Computer Science and a Ph.D. in Computer Science specialising in computer networking from the University of Sydney.

Beneficial and relevant interest in 10,627,165 fully paid ordinary shares (representing 2.3% of issued capital).

Member of the Nomination and Remuneration Committee and Audit Committee.



Simon Clausen

Non-Executive Director
(appointed 10 April 2010)

Founding investor and Non-Executive Director of the Company.

Extensive experience in operating and investing in high growth technology businesses in both Australia and the United States. Previously founded and was CEO of WinGuides, which later became PC Tools and was acquired by Symantec Corporation in October 2008.

Currently the sole director of Startive Ventures, a specialised technology venture fund that actively maintains investments in a number of companies globally. Other directorships include LatAm Autos Limited since 2014.

Relevant interest in 167,233,818 fully

paid ordinary shares, including a relevant interest in 7,516,467 fully paid ordinary shares by virtue of having a voting power of over 20% in the Company, which has a relevant interest as a result of trading restrictions over shares issued under the Employee Share Plan.

Beneficial interest in 159,717,351 fully paid ordinary shares (representing 35% of issued capital).

Member of the Nomination and Remuneration Committee and Audit Committee.

Company Secretary

Mr Neil Katz held the position of Company Secretary during and at the end of the financial year (appointed 9 March 2012). He has been with the Group since 2009 and is also the Chief Financial Officer.

Principal activities

The principal activity of the consolidated entity (the Group) during the financial year was the provision of an online outsourcing marketplace and escrow payment services.

There were no other significant changes in the nature of the principal activities during the financial year.

Review of operations

The Group's loss attributable to equity holders of the Company, after providing for income tax, was \$4,773,000 (2016 loss: \$1,173,000).

Key Performance Highlights

Year ended 31 December	FY17 \$m	FY16 \$m	% Change
Financial metrics:			
Gross Payment Volume ¹	588	666	-12%
Net Revenue ²	50.3	52.7	-5%
Gross Profit	44.1	45.6	-3%
Gross margin (%)	87.5%	86.4%	nm
Operating EBITDA ³	(3.7)	0.5	nm
Operating EBIT ³	(4.4)	(0.3)	nm
Operating NPAT ³	(3.8)	0.1	nm
Operating Cash Flow	-0.6	4.5	nm
Operational metrics:			
New Jobs ⁴ (millions)	2.4	2.6	-8%
Total Jobs Posted (millions)	13.0	10.6	23%
New Registered Users (excluding Escrow, millions)	4.4	4.6	-4%
Total Registered Users ⁵ (millions)	27.7	23.3	19%

1. Gross Payment Volume (GPV) is calculated as the total payments to Freelancer and Escrow users for products and services transacted through the Freelancer and Escrow websites plus total Freelancer and Escrow revenue. GPV is an unaudited metric. Marketplace segment FY17 GPV A\$159.4 million (flat on prior corresponding period), Payments segment GPV A\$428.2 million (down 15% on prior corresponding period).

2. Net Revenue excluding Escrow.com for FY17 was \$43.9m (down 3% on prior corresponding period).

3. Excludes non-cash share based payments expense of \$986k in FY17 and \$1,252k in FY16.

4. Total Projects and Contests Posted was redefined in January 2016 to Total Jobs Posted (filtered). Jobs Posted (Filtered) is defined as the sum of Total Posted Projects and Total Posted Contests, filtered for spam, advertising, test projects, unawardable or otherwise projects that are deemed bad and unable to be fulfilled.

5. User and project/contest data includes all users and projects/contests from acquired marketplaces. Prior to May 2009, all data is from acquired marketplaces. Includes Escrow.com unique users.

6. Gross margin % calculation excludes \$0.3m of proceeds from working capital adjustment on acquisition of Escrow.com, which is included in Net Revenue.

Freelancer.com

The Company's revenue is primarily generated from new and existing users posting and fulfilling projects and contests in the Freelancer marketplace.

From April 2016, Freelancer.com suffered from a drop in growth due to issues in the core desktop funnel (Region 1 in Figure 1, below), primarily driven by introduction of the "1-click" funnel for posting projects. The 1-click funnel was designed to be an easier way to post projects, and initially showed to be positive for revenue (red asterisk in Figure 2), but soon led to deterioration in marketplace quality due to freelancers shying away from these projects after a few months.

It is important to note that this only affected fixed-price projects on desktop web, and not mobile projects, hourly projects or contests, which continued to grow strongly during this period. However fixed-price projects from desktop is the core funnel, being the major product funnel, and this created significant drag on overall growth. This can be seen in Figure 3 with number of milestones released to

freelancers showing little growth between FY16 & FY17 ("2 years ago" and "1 year ago").

We reported in 3Q17 that improvements in that quarter were showing strong lifts in core funnel metrics, and we are pleased to report that in 4Q17 the health of the Freelancer.com business continued to recover, with Freelancer earnings hitting all-time highs and growing 5.4% in the quarter despite the usual seasonal holiday slowdown in Q4 (Region 2 in Figure 1). This is similarly reflected in active paid project fees (USD equivalent) in Figure 2.

Likewise in Figure 3, it can be seen that from the end of 3Q17, the dollar value of milestones released to freelancers (USD equivalent) grew strongly through to the end of FY17, and has rebounded as expected in Jan 18, with the last seven or so months showing good growth.

Overall, this has resulted in Gross Marketplace Volume for Freelancer.com climbing again in the last seven months as can be seen in Figure 4. The GMV growth in 1Q18 comparing the periods '2018-01-01' to '2018-02-23' and '2017-01-01' to '2017-02-23' is up 14%', and this time range includes 1H17 at flat growth, and so this rate is expected to climb as the year progresses (i.e. if it is assumed that the growth occurred in 2H17 and this growth continued, annualised growth would be just under 30%).

Note that GMV is a measure of total payments out of the system (to freelancers). GPV is equal to GMV + revenue which is a proxy for payments in, but not equivalent (as it excludes net change in user balances).

Hourly projects continued to grow strongly with paid tracked hours up 26% QoQ in 4Q17/3Q17 and 54% on pcp 4Q17/4Q16 (Figure 5) after we made changes to the system in the third quarter to improve the hourly hiring experience. Year on year growth 4Q17/4Q16 was 54%. Employers only pay for hours worked as they are billed, rather than requiring an upfront payment before freelancers start work.

Recruiter projects (assisted projects) likewise showed strong growth up 19% 4Q17/3Q17 and 30% on pcp 4Q17/4Q16 (Figure 6).

Mobile also showed good growth with paid fees up 10% QoQ in 4Q17, with 56% on pcp 4Q17/4Q16.

The reason why this growth is not yet reflected in revenue is that as outlined in the 3Q17 report, we embarked on a number of items to drive quality and improve customer feedback with the primary goal of increasing retention. These impacts have had an effect on net customers' receipts and revenues. These initiatives included:

- Membership fees were lowered as we deliberately tightened up the subscription funnels to ensure that only customers that would achieve tangible value from memberships subscribe. Additionally we cut back on the primary plan that we promoted from Professional (~\$44 per month) to Plus (~\$11 a month plan) to lift bid quality by cutting back on the number of low quality bids from freelancers (particularly through the trial period), and we focused on promoting monthly plans over annual plans to reduce chargeback ratios



FIGURE 1: FREELANCER EARNINGS IN USD (ACTIVE TRANSACTIONS)

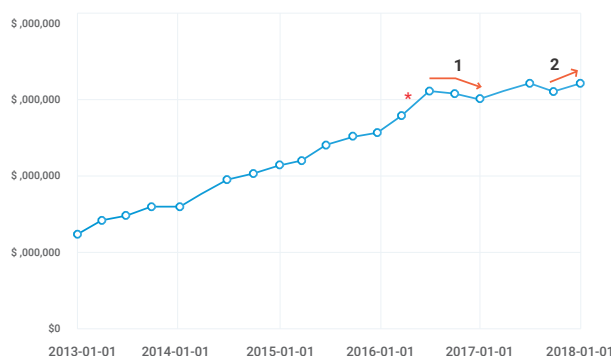


FIGURE 2: ACTIVE PROJECT FEES USD EQUIVALENT (PAID, NON-REFUNDED)

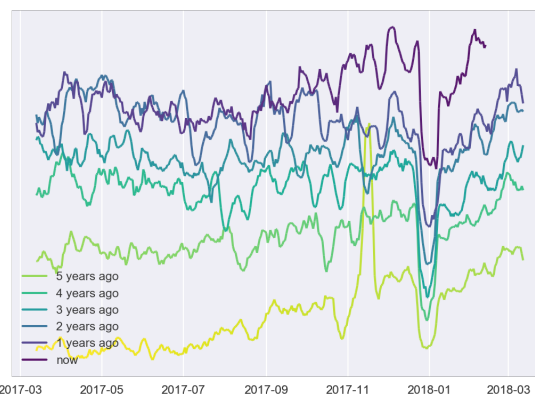


FIGURE 3: MILESTONES RELEASED TO FREELANCERS (USD EQUIVALENT)

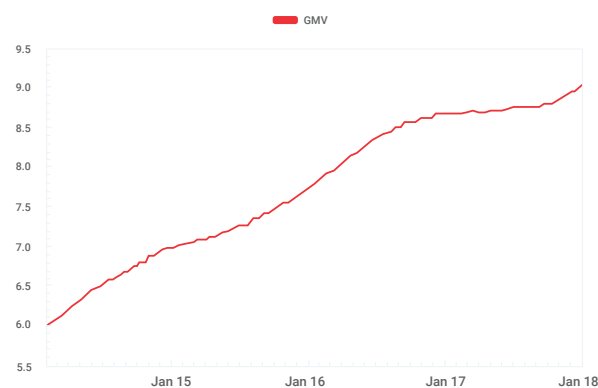


FIGURE 4: GROSS MARKETPLACE VALUE OF FREELANCER.COM

- Similarly we cut back on the promotion for upgrades in certain parts of the funnel to improve the user experience.
- These two items were approximately a 5% drag in revenue in FY17.
- We improved the refund policy to increase the ease and scope for refunds to customers with the goal of lifting retention and user experience.
- These quality improvements have seen our Trustpilot score rise to 8.7 and ticket NPS to 63.

All up, these changes have dropped the monetisation rate from 28.3% in FY16 to 27.5% in FY17 (erroneously reported as 26.3% in the 4Q17 4C).

FX impact was a drag of approximately 3% on revenue for the year.

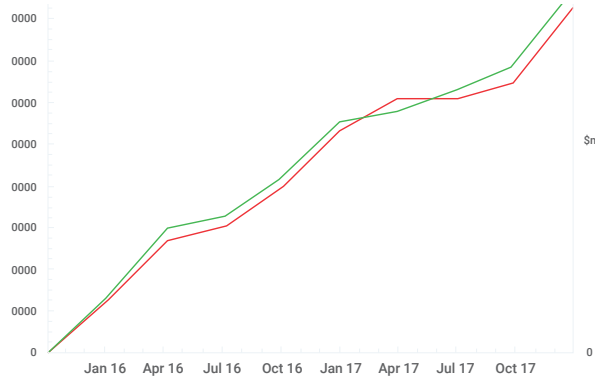


FIGURE 5: PAID TRACKED HOURS FOR HOURLY PROJECTS

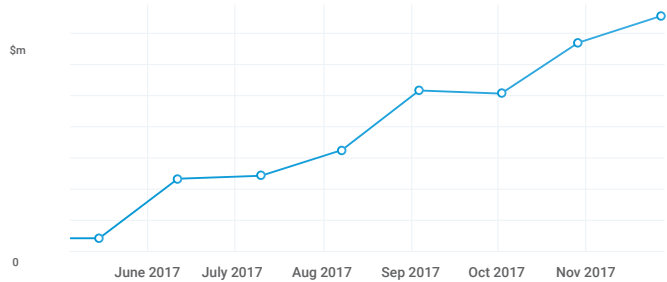


FIGURE 6: NUMBER OF RECRUITER PROJECTS

In FY17 we added 2.4 million new jobs (to 13.0 million, up 23% on FY16, Figure 7), a strong number but was impacted by the drag of removing the 1-click funnel by approximately 16%. Total registered users ended the year at 27.7 million, an increase of 19% on FY16.

The quality of freelance work continued to be exceptional. Freelancer.com continues to be unbeatable for the quality and sophistication of work delivered on a small business budget.

The Company is now in a much healthier position to continue its focus on revenue growth in FY18.

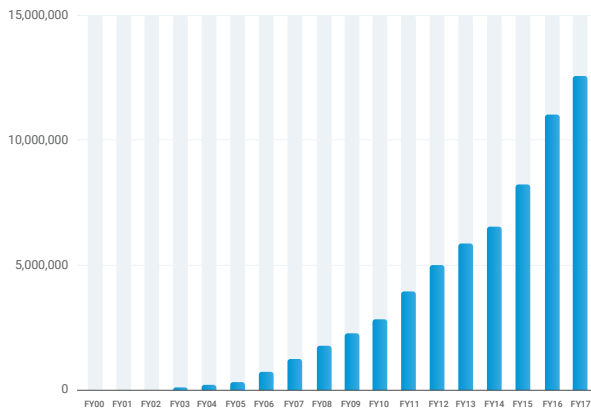


FIGURE 7: TOTAL JOBS POSTED (FILTERED FOR SPAM)

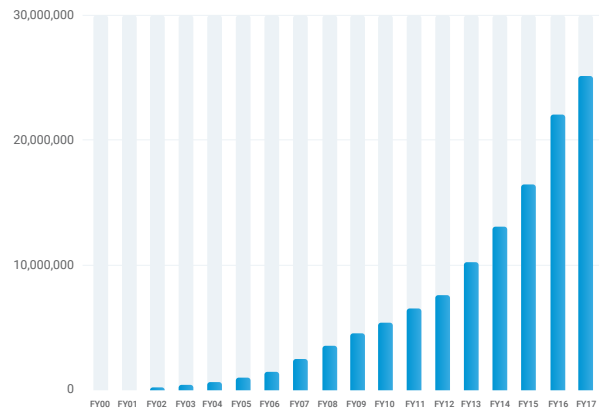


FIGURE 8: TOTAL REGISTERED USERS

Escrow.com

For the full year, Escrow.com was a major drag on GPV for the group, dropping to \$428 million in FY17 from \$506 million in FY16 (-15%).

This was for two main reasons:

The first being the well reported drop in China volume for domain purchases, which has reverted to the long term values after an explosion in unexpected volume in FY15 and FY16 (See Figure 9, below). This bubble caused a jump of Chinese volume of 179% in FY15 over FY14, but a drop of 53% from FY16 to FY17 (US\$91m to \$43m) as the bubble popped. We believe that this abnormal volume spike has now passed and we should revert to growth in Chinese volume.

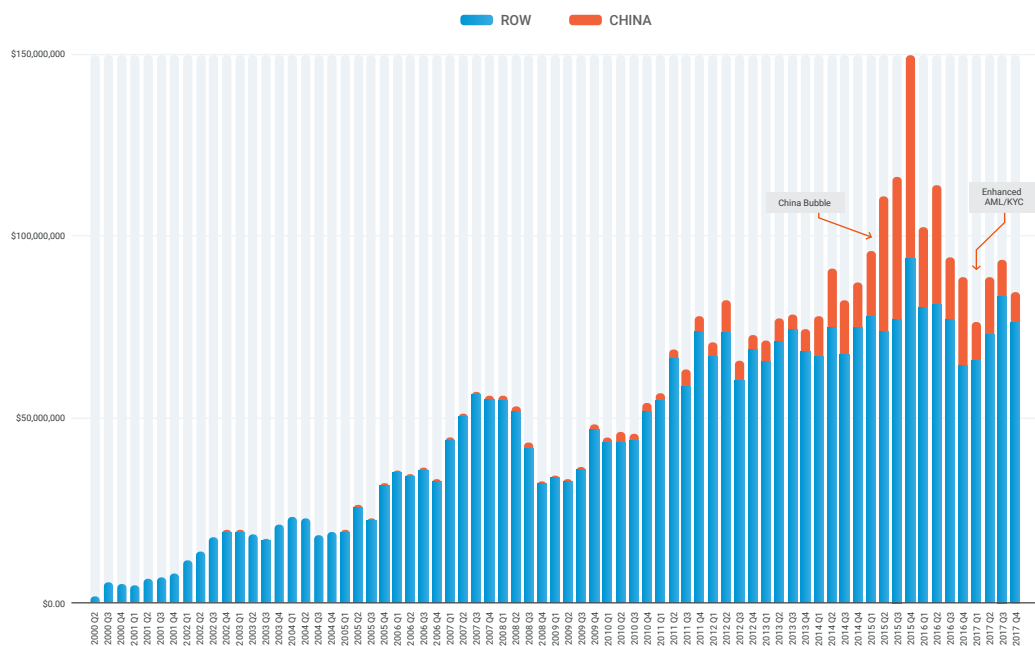


FIGURE 9: TOTAL GROSS PAYMENT VOLUME CONTRIBUTION (US\$) FOR CHINA AND WORLD EX-CHINA

The second being volume churning after introducing a more rigorous Anti-money Laundering and Know Your Customer (KYC) program after acquisition of the business. While we have endeavoured to make this progress as straightforward as possible, with over 60% for KYC proof of identity & address submissions being processed within 15 minutes and over 85% in one hour (Figure 10, below), it has led to increased friction and a churn in volume (See Figure 9, above). We are continuing to make the process easier to reduce friction.

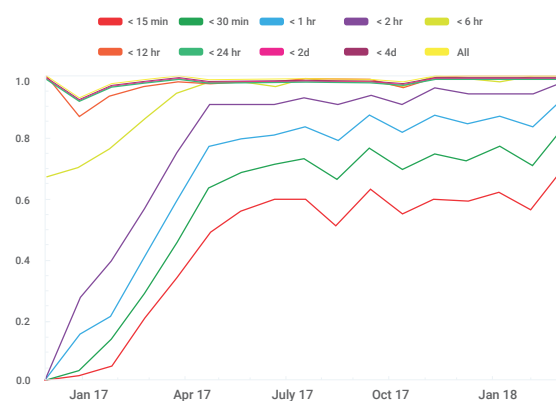
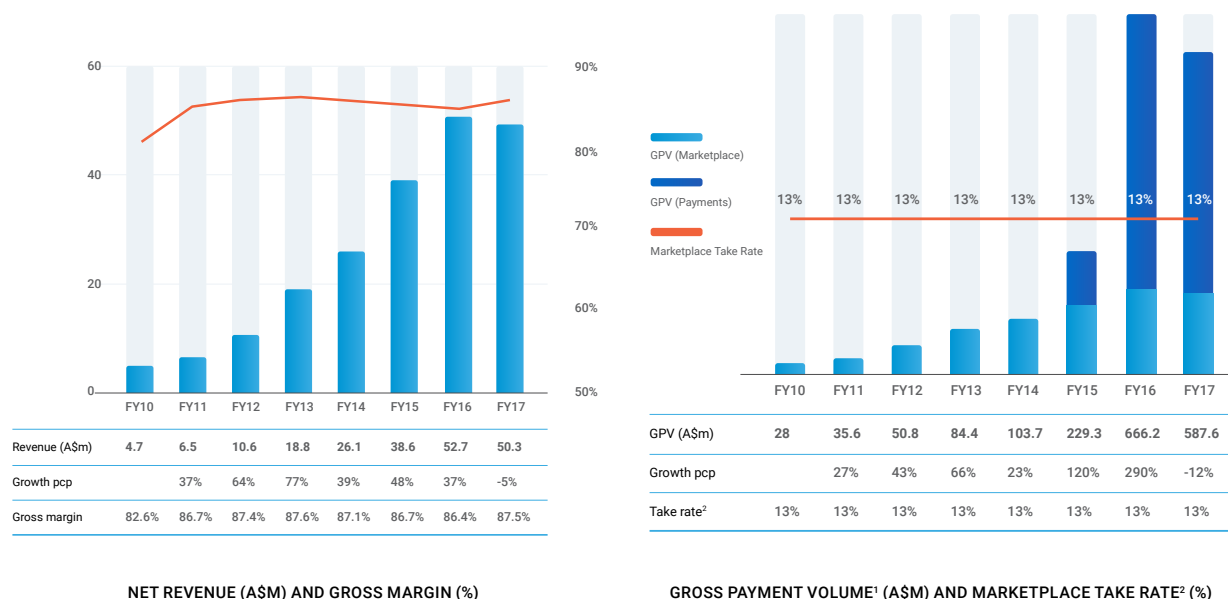


FIGURE 10: OVER 70% OF TIER-2 (PROOF OF ID & ADDRESS) KYC SUBMISSIONS ARE PROCESSED WITHIN 15 MINUTES, AND 90% IN ONE HOUR

Review of Financial Performance



1. Gross Payment Volume (GPV) is calculated as the total payments to Freelancer or Escrow users for products and services transacted through the Freelancer or Escrow websites plus Net Revenue. Based on Freelancer's unaudited management accounts which have not been subject to an auditor's review.

2. Take rate for the Marketplace segment is 3% employer commission and 10% freelancer commission, which has not changed since 2010.

3. Core Freelancer GPV of A\$159.4m. Escrow GPV of US\$329m, average AUDUSD FX of 0.7674= A\$428.2m

The Company achieved Net Revenue of \$50.3 million in FY17 (down 5% on the previous corresponding period), and Gross Payment Volume of \$587.5 million (down 12% on the previous corresponding period). Revenue excluding Escrow.com amounts to \$43.9 million (down 3% on the previous corresponding period, GPV excluding Escrow.com amounts to \$159.4 million (flat on the previous corresponding period).

Net Revenue and Gross Payment Volume were adversely impacted in FY17 by a number of factors including a drop in the core desktop funnel, which was driven by the introduction of a "1-click" funnel initiatives in mid 2016, which was designed to be an easier way to post projects and initially showed to be positive for revenue, but soon led to a deterioration in marketplace quality. This feature was rolled back during Q317. In addition the Company embarked on a number of initiatives in FY17 to drive quality and improve customer feedback with the primary goal of increasing retention within the freelancer marketplace. These impacts adversely impacted Net Revenue and Gross Payment Volume.

The Payments segment (escrow) was adversely impacted by the continued drop in China volume for domain purchases and the introduction of rigorous Anti Money Laundering and Know Your Customer programs which resulted in increased friction and churn in volume.

The Company's gross margin of 87.5% in FY17 improved by 1.4% compared to the previous corresponding period (FY16: 86.4%) and has been within a consistent range since 2011. The Company's cost of sales predominantly consists of transaction costs that are incurred from the various gateways relied upon to process user payments, as well as various provisions taken for credit card chargebacks and fraud risks. The cost of sales in the Escrow.com business is higher than in the core Freelancer marketplace business.

Operating Performance

International Offices and Staffing

In FY17 the Company was able to reduce its headcount by 6% as it continues to reach operating scale. Staff are located at offices in Sydney, Manila, Vancouver, San Francisco, Buenos Aires and London.

Whilst the Company has reduced its headcount, it continues to hire exceptional talent focused on engineering, data science and product management teams.

NPAT and EBITDA

The Company reported an operating net loss after tax of (\$3.8) million (FY16 Operating NPAT: \$0.1 million) and Operating EBITDA of (\$3.7) million (FY16 Operating EBITDA: \$0.5 million). The Company's operating results were adversely impacted by a significant

increase in regulatory, legal and compliance related costs principally in its payments segment (escrow.com). At the time of the acquisition of the escrow business in November 2015, it held eight money transmission and/or escrow licences in the US. After the acquisition, the Company has pursued an aggressive program of applying for money transmission and/or escrow licenses in the remaining states in the US. At 31 December 2017, thirty licences were in place. As part of this process, in FY17 the division incurred one-off regulatory penalties of \$0.2 million for unlicensed activity (substantially pre-acquisition). In addition the Company has further made provision of \$0.9 million as an estimate of probable penalties. The impact of these penalties has been a one off expense of \$1.1 million in FY17.

The Company's hosting costs were also up by \$0.9 million (up 20% on prior corresponding period) as a result of a series of projects to improve the performance and stability of the platform. Various core systems such as MySQL, ElasticSearch and Varnish have been upgraded, and development and staging environments modernized. The outcome of these projects was a 20% to 33% improvement of various end user performance metrics. The Company expects FY18 hosting costs to reduce by 10-15% on FY17 due to a number of initiatives being rolled out.

Reported Net Loss After Tax of \$4.8 million in FY17 included a tax benefit of \$0.7 million (FY16 NPAT: (\$1.2) million).

Cash Flow and Balance Sheet Strength

The Company posted a neutral operating cash flow of (\$0.6) million in FY17 (FY16: \$4.5 million). Operating cash flow was adversely impacted by lower net revenues and significant increases in legal and compliance costs principally associated with money transmission and escrow licence applications. (Approximately \$0.7m of the costs are considered to be one offs in FY17)

As at 31 December 2017, the Company held cash and equivalents of \$31.9 million, providing the Company with sufficient flexibility to pursue further growth via both organic and inorganic channels.

Key Product & Operational Highlights

In 2017, the Company embarked on a number of key initiatives:

Escrow.com

Escrow.com released a new mobile responsive and multilingual front end, added new payment methods for international users, and added chat technical support with an average response time of 20 seconds for support queries.

We also added support teams in three more locations (Vancouver, Sydney, Manila) and a processing support team in Sydney. We extended support hours and launched multilingual support across a number of languages. We also rolled quality assurance for support globally.

Infrastructure and engineering technical work included migration of the technical stack away from legacy infrastructure to AWS (Amazon Web Services), and deployment of a new public facing website.

Escrow.com also deployed an enhanced AML (anti money-laundering) program and a new KYC (know your customer) verification product which allows users to upload documents and have

their identity verified. Over 70% of Tier 2 KYC submissions are approved within 15 minutes and 90% in 1 hour.

Escrow.com also improved payment processing times to the fastest ever in the company's history during 2017.

Contests

Entries submitted on contests have seen explosive growth in 2017, up 58% from 2016.

In addition, several enhancements to the experience of running a contest were introduced. Inviting collaborators to help contest holders rate and give feedback on hundreds of entries is now possible with the share feature as running a contest can easily be a team effort. A more convenient interface to award multiple entries was also released where buying all the best entries can be done at once.

More companies and organizations are crowdsourcing their needs using our platform, including organisations such as NASA and Harvard, where we have seen contests range from video production, graphic design and engineering through to application design.

Mobile

The project management funnel was redesigned with a mobile first approach; features such as file attachment in chat and new payment sources, like Paypal, were introduced. The Android application was also translated into Chinese and published to the Huawei App store. There were great achievements in funnel optimisations and a push for more feature parity between the mobile and desktop platforms. Notably, these efforts have resulted in a 66% YoY growth in mobile projects being posted and 49% YoY growth in mobile paid fees.

Collaboration

A new hourly billing system was built, which allows more employers to use hourly billing as it no longer requires large up-front security deposits, and instead relies on payment verification to protect freelancers and ensure they get paid. This has led to a huge increase in paid tracked hours; YoY growth 4Q17/4Q16 was 54%.

We also built a new collaboration experience for sharing projects, allowing employers to invite their colleagues or friends to help them manage their project.

Memberships

Corporate Memberships were launched, allowing freelancers to setup multiple profiles for different businesses that they have on the site. This had a strong uptake from users, and has been experiencing 10-15% MoM growth since it went live.

We also began offering the Plus membership as a trial to new freelancers signing up, this has drastically improved the overall membership retention rate, along with freelancer activation metrics. The lower price point, along with higher purchase count also contributed significantly to reducing chargeback ratios and reducing churn.

The membership upsells throughout the site have also been cut down, and tailored so that we better target users who receive value from them. While this has been a drag on revenue it has improved user experience, chargebacks, and retention for the cohorts affected.

Freelancer Enterprise

Freelancer Enterprise was launched in response to demands from Fortune 500 corporations needing to scale their global workforce fast, for a fraction of the price. Freelancer is currently running pilots with top tier multinational enterprises in the technology, media, professional services, medical and telecoms sector. A suite of new product offerings and managed services, including the Private Freelancers Cloud, Employer teams, Project Success Management, API integration and Compliance feature can be customized.

Payments

WeChat Pay was added as a payment method for Chinese users. Freelancer now supports all the major payment methods in China including Alipay and UnionPay.

A new payment service provider was added for Latin America region which allows the payments to be processed locally in the region as well as giving the users the ability to use their local bank cards for payments on Freelancer.com. Moreover, Canada was added to the local acquiring locations which improves the authorisation rate and reduces the costs for Canadian Dollar payments.

We also introduced daily express withdrawals for outbound payments to multiple countries including Pakistan, Bangladesh, Romania, Argentina, China, Russia and several European countries. The express withdrawal method allows the users to receive the payments directly into their bank account with local currency.

Freelancer integrated with Escrow API to allow the users to receive payments from external employers.

Local jobs

Local jobs has seen good growth in key metrics on a global basis. Average number of bids has increased from 2 to 7 globally. The median time to first bid is now 15 minutes globally. Over 60% of local jobs receive a bid within one hour globally.

Local jobs also now has a 24/7 customer support team based in our network of offices including Sydney and Manila.

More local skills are being added as we look to increase our reach to skilled freelancers across the globe.

International

Now across 34 languages on 53 international sites with 39 currencies supported, with a significant increase and focus on non-English community content.

Messaging

There was a 21% YoY increase in number of chat threads per user, driven by higher user engagement. Strong liquidity, despite timezone barriers resulted in 36% of freelancers responding to employers within 5 minutes, and 65% within an hour.

StartCon

StartCon (a Freelancer.com company) successfully hosted Australia's largest start-up and growth conference in Sydney, which is in its eighth year. The conference held in Q4 of 2017, saw huge increases in numbers from 2016 across all aspects of the event, including over 3500 (up 16%) attendees, 122 (up 20%) exhibitors including 60 (up 20%) startups in Startup Alley, 90 (up 5%) start-

ups in the pitch competition, and 63 (up 8%) speakers of which 19 (up 26%) were international.

Dividends paid or recommended

There have been no dividends paid or provided for the financial year ended 31 December 2017 (2016: nil).

The Company has established a Dividend Reinvestment Plan (DRP). The full terms and conditions of the DRP are available on the Company's website, www.freelancer.com.

Significant changes in state of affairs

There have been no significant changes in the state of affairs for the current financial year.

Subsequent Events

As at the date of this report, the Directors are not aware of any circumstance that has arisen since 31 December 2017 that has significantly affected, or may significantly affect the Group's operations in future financial years, the results of those operations in future financial years, or the Group's state of affairs in future financial years.

Future developments

In future financial years, the Group expects to further its growth through expansions to other territories organically and by acquisition, and forming strategic alliances and partnerships.

Environmental regulations

The operations of the Group do not involve any activities that have a marked influence on the environment. As such, the Directors are not aware of any material issues affecting the Group or its compliance with the relevant environment agencies or regulatory authorities.

Insurance and indemnification of Directors and Officers

During the financial year, the Group paid premiums based on normal commercial terms and conditions to insure all directors, officers and employees of the Group against the costs and expenses in defending claims brought against the individual while performing services for the Group. The premium paid has not been disclosed as it is subject to the confidentiality provisions of the insurance policy.

The Company has in place Deeds of Indemnity, Insurance and Access with each of its current Directors and such other officers that the Directors determine are entitled to receive the benefit of an indemnity.

Rounding off of amounts

The Company is an entity to which ASIC Corporations Instrument 2016/191 applies. Accordingly amounts in the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Meetings of Directors

During the financial year five meetings of Directors were held. Other matters arising during the year were resolved by circular resolutions.

The following persons acted as Directors of the Company during the financial year, with attendances to meetings of Directors as follows:

	Director meetings		Audit Committee meetings		Nomination and Remuneration meetings	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
R.M. Barrie	5	5	3	3	-	-
S.A. Clausen	5	5	3	3	-	-
D.N.J. Williams	5	5	3	3	-	-

Non-audit services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor and its related parties amounted to \$21,000 (2016: \$47,000).

The Directors are satisfied that the provision of non-audit services in the form of tax compliance services during the year by the auditor (or another person or firm on the auditors' behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act.

The Directors are of the opinion that the services as disclosed in Note 18 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit Committee, for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditors own work, acting in a management or decision making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Officers of the Company who are former audit partners of the auditor

There are no officers of the Company who are former audit partners of Hall Chadwick.

Auditor's independence declaration

The auditor's independence declaration is included on page 52 and forms part of the Directors' Report for the year ended 31 December 2017.

Shares issued under Employee Share Plan (ESP)

No ESP shares have been granted to Directors during the financial year. No ESP shares have been granted to Directors since the end of the financial year.

Proceedings on behalf of Company

No proceedings have been brought or intervened in on behalf of the Company, nor have any applications for leave to do so been made in respect of the Company, under section 237 of the Corporations Act 2001.

Corporate governance

The Company is committed to strong and effective governance frameworks. The Company's Corporate Governance Statement, in addition to its corporate governance policies are available on the Investors section of the Company's website at

www.freelancer.com/investor#corporategovernance.

Remuneration Report

This audited Remuneration Report for the Group which forms part of the Directors' Report for the financial year ended 31 December 2017, details the nature and amount of remuneration for each Director and the Executives.

Key management personnel (KMP) comprise:

- R.M. Barrie – Executive Chairman
- S.A. Clausen – Non-Executive Director
- D.N.J. Williams – Non-Executive Director from 1 November 2015 (Executive director until 31 October 2015)
- N.L. Katz – Chief Financial Officer and Company Secretary

Remuneration policy

The performance of the Group depends upon the quality of its directors and executives. The Group recognises the need to attract, motivate and retain highly skilled directors and executives.

The Board of Directors, through its Nomination and Remuneration Committee, accepts responsibility for determining and reviewing remuneration arrangements for the Directors and Executives. The Nomination and Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of Directors and Executives on a periodic basis by reference to relevant employment market conditions, giving due consideration to the overall profitability and financial resources of the Group, with the objective of ensuring maximum stakeholder benefit from the retention of a high-quality Board and executive team.

Non-Executive Director remuneration

Fees and payments to Non-Executive Directors reflect the demands which are made of the Directors in fulfilling their responsibilities. Non-Executive Director fees are reviewed annually by the Board. The Constitution of the Company provides that the Non-Executive Directors of the Company are entitled to such remuneration, as determined by the Board, which must not exceed in aggregate the maximum amount determined by the Company in general meeting. The most recent determination was at a General Meeting held on 9 October 2013 where the shareholders approved an aggregate remuneration of \$300,000. Annual Non-Executive Directors' fees currently agreed to be paid by the Company are \$25,000 to S.A. Clausen and D.N.J. Williams inclusive of superannuation.

Executive and Executive Director remuneration

Fixed remuneration consists of base remuneration (which is calculated on a total cost basis and includes any fringe benefits tax charges related to employee benefits, including motor vehicles), as well as employer contributions to superannuation funds.

Executive and Executive Director remuneration levels are reviewed annually by the Nomination and Remuneration Committee through a process that considers the overall performance of the Group. The Executive Directors are not paid any director fees in addition to their fixed remuneration as Executives.

Performance based remuneration

Performance based remuneration is at the discretion of the Nomination and Remuneration Committee. These can take the form of cash bonuses or invitations to participate in the Company's Employee Share Plan (ESP).

Remuneration of Directors and Executives

Remuneration shown below relates to the period in which the Director or Executive was a member of key management personnel. Amounts below have either been paid out or accrued in the period.

	Short-term benefits			Post-employment benefits	Share based payments	Total
	Directors' fees	Cash salary and fees	Other	Superannuation	Shares	
Non-Executive Directors	\$	\$	\$	\$	\$	\$
S.A. Clausen						
2017	25,000	-	-	-	-	25,000
2016	23,060	-	-	1,991	-	25,051
D.N.J. Williams						
2017	22,884	-	-	2,174	16,706	41,764
2016	22,884	-	-	2,174	20,047	45,105
Executive Directors						
R.M. Barrie						
2017	-	569,096	22,209	25,904	13,365	630,574
2016	-	569,096	22,866	25,904	16,038	633,904
Other KMP						
N.L. Katz						
2017	-	310,200	6,324	34,800	111,706	463,030
2016	-	310,200	5,941	34,800	66,304	417,245
Total						
2017	47,884	879,296	28,533	62,878	141,777	1,160,368
2016	45,944	879,296	28,807	64,869	102,389	1,121,305

The remuneration of key management personnel in the years ended 31 December 2017 and 2016 were 100% fixed, and there is no link between remuneration and the market price of the Company's shares.

ESP shares

Details of ESP shares in the Company held directly, indirectly or beneficially, by KMP, including their related parties, is as follows:

	Balance at the start of the year	Granted / issued	Released from restrictions	Forfeited / cancelled	Balance at the end of the year	Balance of unvested ESP shares	Balance of vested ESP shares
2017							
Directors							
R.M. Barrie	400,000	-	-	(400,000)	-	-	-
D.N.J. Williams	500,000	-	-	(500,000)	-	-	-
Other KMP							
N.L. Katz	1,000,000	245,000	(114,461)	(245,000)	885,539	251,800	633,739
Total	1,900,000	245,000	(144,461)	(1,145,000)	885,539	251,800	633,739
2016							
Directors							
R.M. Barrie	400,000	-	-	-	400,000	83,334	316,666
D.N.J. Williams	500,000	-	-	-	500,000	104,167	395,833
Other KMP							
N.L. Katz	559,461	440,539	-	-	1,000,000	631,250	368,750
Total	1,459,461	440,539	-	-	1,900,000	818,751	1,081,249

Ordinary share capital

Details of ordinary shares in the Company held directly, indirectly or beneficially, by KMP, including their related parties, is as follows:

	Balance at the start of the year	Received as part of remuneration	Purchase of shares	Sale of shares	Balance at the end of the year
2017					
Directors					
R.M. Barrie ¹	192,842,959	-	1,232,727	-	194,075,686
S.A. Clausen	156,666,463	-	3,050,888	-	159,717,351
D.N.J. Williams ²	10,758,165	-	-	-	10,758,165
Other KMP					
N.L. Katz ³	290,000	-	114,461	(254,461)	150,000
Total	360,557,587	-	4,398,076	(254,461)	364,701,202
2016					
Directors					
R.M. Barrie ¹	192,842,959	-	-	-	192,842,959
S.A. Clausen	156,071,429	-	595,034	-	156,666,463
D.N.J. Williams ²	10,758,165	-	-	-	10,758,165
Other KMP					
N.L. Katz ³	420,000	-	-	(130,000)	290,000
Total	360,092,553	-	595,034	(130,000)	360,557,587

1. 1,279,500 shares as at 31 December 2017 (2016: 1,279,500) are held directly or indirectly by related parties.

2. 131,000 shares as at 31 December 2017 (2016: 131,000) are held directly or indirectly by related parties.

3. 40,000 shares as at 31 December 2017 (2016: 140,000) are held directly or indirectly by related parties.

Loans to directors and key management personnel

The following loan balances are outstanding at the reporting date in relation to remuneration arrangements with Executive Directors and KMP in respect of shares issued under the Employee Share Plan (ESP).

As the ESP is considered in substance a share option, the ESP shares issued and corresponding loan receivable are not recognised by the Group in its financial statements. The ESP shares will not be considered issued to participants until the corresponding loan has been repaid, at which time there will be an increase in the issued capital and increase in cash. Further information relating to the ESP is set out in the Note 21 to the financial statements.

	2017 \$000	2016 \$000
Directors:		
R.M. Barrie	-	200
S.A. Clausen	-	-
D.N.J. Williams	-	250
Other KMP:		
N.L. Katz	960	1,012
Total loans to Directors and KMP	960	1,462

Executive service agreements

The employment terms and conditions of Group Executives and KMP are formalised in service agreements.

Position	Key terms of service agreements
Chief Executive Officer	<ul style="list-style-type: none"> • Term: unspecified. • Base remuneration: Reviewed annually by the Nomination and Remuneration Committee. • Bonus entitlements: Determined annually by the Nomination and Remuneration Committee (capped at 50% of the base remuneration). • Termination notice period: 6 months' notice or alternatively in Freelancer's case, payment in lieu of notice. • Restraint of trade period: 12 months.
Other Executives	<p>Other Executives are employed under individual executive services agreements. These establish, amongst other things:</p> <ul style="list-style-type: none"> • total compensation; • eligibility to participate in the ESP; • variable notice and termination provisions of up to 3 months, or by the Group without notice in the event of serious misconduct; and • restraint and confidentiality provisions.

Other transactions with KMP or their related parties

There were no other transactions conducted between the Group and KMP or their related parties, other than those disclosed above relating to equity, compensation and loans, that were conducted other than in accordance with normal employee, customer or supplier relationships on terms no more favourable than those reasonably expected under arm's length dealings with unrelated persons, apart from related party transactions disclosed in Note 22 to the financial statements.

This concludes the Remuneration Report.

The Directors' Report, incorporating the Remuneration Report, is signed in accordance with a resolution of the directors made pursuant to s298(2) of the Corporations Act 2001.

On behalf of the Directors

Matt Barrie

Matt Barrie
Chairman

27 February 2018

Auditor's Independence Declaration

HALL CHADWICK (NSW)
Chartered Accountants and Business Advisers

**FREELANCER LIMITED
ABN 66 141 959 042
AND CONTROLLED ENTITIES**

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE
DIRECTORS OF FREELANCER LIMITED**

SYDNEY

Level 40
2 Park Street
Sydney NSW 2000
Australia

GPO Box 3555
Sydney NSW 2001

Ph: (612) 9263 2600
Fx: (612) 9263 2800

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2017 there have been no contraventions of:

- (i) the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Hall Chadwick

Hall Chadwick
Level 40, 2 Park Street
Sydney NSW 2000

S. Kumar

SANDEEP KUMAR
Partner
Date: 27 February 2018

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www.hallchadwick.com.au

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	Note	2017 \$000	2016 \$000
Revenue	5	50,270	52,749
Cost of sales		(6,220)	(7,198)
Gross profit		44,050	45,551
Employee expenses	6	(22,028)	(21,772)
Administrative expenses		(12,387)	(9,983)
Marketing related expenses		(9,767)	(9,432)
Occupancy expenses	6	(2,776)	(2,922)
Foreign exchange losses	6	(816)	(918)
Depreciation and amortisation expenses	6	(701)	(769)
Share based payments expense	21	(986)	(1,253)
Finance costs	6	(15)	(5)
Loss before income tax		(5,426)	(1,503)
Income tax benefit	7	653	330
Loss after tax		(4,773)	(1,173)
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations	16	22	(38)
Total comprehensive loss for the year		(4,751)	(1,211)
Earnings per share		Cents	Cents
Basic earnings per share	27	(1.06)	(0.26)
Diluted earnings per share	27	(1.04)	(0.25)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 31 December 2017

	Note	2017 \$000	2016 \$000
Assets			
Current assets			
Cash and cash equivalents	8	31,908	34,779
Trade and other receivables	9	3,058	4,166
Current tax assets	7	105	155
Other assets	10	869	966
Total current assets		35,940	40,066
Non-current assets			
Trade and other receivables	9	871	216
Plant and equipment	11	913	1,311
Intangible assets	12	26,442	25,701
Other assets	10	521	502
Deferred tax assets	7	4,003	3,278
Total non-current assets		32,750	31,008
Total assets		68,690	71,074
Liabilities			
Current liabilities			
Trade and other payables	13	32,956	32,728
Current tax liabilities	7	61	81
Provisions	14	2,020	1,325
Deferred revenue		911	984
Total current liabilities		35,948	35,118
Non-current liabilities			
Deferred tax liabilities	7	5	3
Provisions	14	509	374
Deferred Revenue		305	190
Total non-current liabilities		819	567
Total liabilities		36,767	35,685
Net assets		31,923	35,389
Equity			
Contributed equity	15	38,049	37,750
Reserves	16	3,441	2,433
Accumulated losses		(9,567)	(4,794)
Total equity		31,923	35,389

The above statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

Note	Contributed Equity \$000	Share based payments \$000	Foreign currency translation reserve \$000	(Accumulated losses) \$000	Total Equity \$000
Balance at 1 January 2016	37,310	1,585	(367)	(3,621)	34,907
Loss for the year	-	-	-	(1,173)	(1,173)
Exchange differences on translation of foreign operations	16	-	(38)	-	(38)
Total comprehensive loss for the year	-	-	(38)	(1,173)	(1,211)

Transactions with owners in their capacity as owners:

Contributions of equity arising from repayment of ESP loans	15	440	-	-	440
Share based payments	21	-	1,253	-	1,253
Balance at 31 December 2016	37,750	2,838	(405)	(4,794)	35,389

Note	Contributed Equity \$000	Share based payments \$000	Foreign currency translation reserve \$000	(Accumulated losses) \$000	Total Equity \$000
Balance at 1 January 2017	37,750	2,838	(405)	(4,794)	35,389
Loss for the year	-	-	-	(4,773)	(4,773)
Exchange differences on translation of foreign operations	16	-	22	-	22
Total comprehensive loss for the year	-	-	22	(4,773)	(4,751)

Transactions with owners in their capacity as owners:

Contributions of equity arising from repayment of ESP loans	15	299	-	-	299
Share based payments	21	-	986	-	986
Balance at 31 December 2017	38,049	3,824	(383)	(9,567)	31,923

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Note	2017 \$000	2016 \$000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		50,658	51,968
Payments to suppliers and employees (inclusive of GST)		(51,244)	(47,434)
Interest received		46	140
Income taxes (paid) / refunded		(28)	(198)
Net cash inflow from operating activities	26	(568)	4,476
Cash flows from investing activities			
Payments for plant and equipment		(303)	(428)
Payments for intangible assets		(740)	(1,851)
Proceeds from working capital adjustment on acquisition of Escrow.com	5	326	-
Net cash (outflow) from investing activities		(717)	(2,279)
Cash flows from financing activities			
Contributions of equity arising from repayment of ESP loans	15	299	440
Increase in security to gateway providers		(673)	-
Net cash (outflow) / inflow from financing activities		(374)	440
Net (decrease) / increase in cash and cash equivalents		(1,659)	2,637
Cash and cash equivalents at beginning of the financial year		34,779	32,246
Effects of exchange rate changes on cash and cash equivalents		(1,212)	(104)
Cash and cash equivalents at end of year	8	31,908	34,779

The above statement of cash flows should be read in conjunction with the accompanying notes.

Contents of the notes to the consolidated financial statements

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1. Reporting entity

Freelancer Limited (the Company) is a company domiciled in Australia. The address of the Company's registered office is Level 20, 680 George Street, Sydney, NSW, 2000. The consolidated financial statements of the Company as at and for the year ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the Group and individually as Group entities). The Group is a for-profit entity and primarily is involved in operating an online marketplace for services and providing escrow payment services. The separate financial statements of the parent entity, Freelancer Limited, have not been presented within this financial report as permitted by the Corporations Act 2001.

The consolidated financial statements were authorised for issue by the Board on 27 February 2018.

2. Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001.

The Directors believe that there are reasonable grounds that the company is able to pay its debts as and when they fall due. The Group has a significant cash balance at year end and has projected a profitable financial year for the period ending 31 December 2018 based on increased revenue and a planned reduction in expenses.

(a) Compliance with International Financial Reporting Standards

The consolidated financial statements of the Group comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(b) Historical cost convention

The consolidated financial statements have been prepared on the historical cost basis unless otherwise stated in the notes. Except for the cash flow information, the financial statements have been prepared on an accrual basis, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency.

(d) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 28(h).

(e) Significant accounting policies

The principal accounting policies adopted in the presentation of these consolidated financial statements are set out in the relevant notes. The policies have been consistently applied to all the years presented, unless otherwise stated.

(f) Rounding of amounts

The Company has applied the relief available to it under ASIC Corporations Instrument 2016/191. Accordingly, amounts in the financial statements and Directors' Report have been rounded off to the nearest \$1,000.

(g) Materiality

These consolidated financial statements have included information that is deemed to be material and relevant to the understanding of the financial statements. Disclosure may be considered material and relevant if the dollar amount is significant due to size or nature, or the information is important to understand the:

- Group's current year results;
- impact of significant changes in the Group's business; or
- aspects of the Group's operations that are important to future performance.

3. Financial risk management

Financial risk management policies

The Group's activities expose it to a variety of financial risks: market risk (including currency risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and other price risks and ageing analysis for credit risk.

Risk management is carried out by senior finance executives (Finance) under policies approved by the Board of Directors (Board). These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the Group's operating units.

The Group holds the following financial instruments:

	Note	2017 \$000	2016 \$000
Financial Assets			
Cash and cash equivalents	8	31,908	34,779
Trade and other receivables	9	3,929	4,382
Total financial assets		35,837	39,161
Financial Liabilities			
Trade and other payables	13	32,956	32,728
Total financial liabilities		32,956	32,728

The carrying value of the assets and liabilities disclosed in the table above closely approximates or equals their fair value. The carrying amounts of trade receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the Group commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

Financial liabilities

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset has been impaired. A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Company recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

(a) Market risk

Foreign currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currencies.

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The Group has not entered into forward foreign exchange contracts to protect against exchange rate movements. The Directors are of the view that the cost of hedging the Group's short-term foreign exchange exposure outweighs the risk of adverse currency movements.

The Group's exposure to foreign currency exchange risk at the reporting date, expressed in each currency, was as follows:

2017 Currency exposure:	AUD	USD	NZD	GBP	HKD	SGD	PHP	EUR	CAD	INR	Other
Denominated in:	AUD 000's	USD 000's	NZD 000's	GBP 000's	HKD 000's	SGD 000's	PHP 000's	EUR 000's	CAD 000's	INR 000's	AUD 000's
Cash	4,861	13,257	208	1,632	1,011	332	41,118	2,139	865	54,153	220
Trade receivables	413	1,491	29	171	660	121	17,010	273	129	12,686	338
Other financial assets	529	135	-	1	-	-	6,079	-	5	197	-
Payables	(910)	(2,151)	-	(20)	-	2	(10,057)	-	(7)	(250)	(34)
User obligations	(2,113)	(15,350)	(160)	(919)	(832)	(289)	(2,878)	(1,840)	(711)	(36,568)	(638)
Net exposure	2,780	(2,618)	77	865	839	166	51,272	572	281	30,218	(114)

2016 Currency exposure:	AUD	USD	NZD	GBP	HKD	SGD	PHP	EUR	CAD	INR	Other
Denominated in:	AUD 000's	USD 000's	NZD 000's	GBP 000's	HKD 000's	SGD 000's	PHP 000's	EUR 000's	CAD 000's	INR 000's	AUD 000's
Cash	4,357	15,762	178	1,043	845	296	45,693	1,640	839	69,969	207
Trade receivables	470	1,697	16	215	512	71	6,468	222	118	9,172	208
Other financial assets	25	32	-	8	-	5	14,506	-	9	-	-
Payables	(393)	(2,235)	-	(45)	-	(6)	(13,477)	-	(8)	(297)	(13)
User obligations	(1,993)	(15,135)	(117)	(707)	(521)	(252)	(2,006)	(1,632)	(674)	(26,051)	(445)
Net exposure	2,466	121	77	514	836	114	51,184	230	284	52,793	(43)

The Group had net assets of \$453,000 denominated in foreign currencies as at 31 December 2017 (comprising assets of \$30,964,000 less liabilities of \$30,511,000). The Group had net assets of \$4,470,000 denominated in foreign currencies as at 31 December 2016 (comprising assets of \$34,782,000 less liabilities of \$30,312,000).

The analysis below reflects management's view of possible movements in relevant foreign currencies against the Australian dollar in the short term subsequent to 31 December 2017. The table summarises the range of possible outcomes that would affect the Group's net profit and equity as a result of foreign currency movements on year end foreign denominated assets and liabilities.

The impact of potential movements in exchange rates on the profit or loss is as follows:

		2017 \$'000		2016 \$'000	
		High	Low	High	Low
AUD to USD	(Range +5% to -5%)	160	(177)	(8)	9
AUD to NZD	(Range +5% to -5%)	(3)	4	(4)	4
AUD to GBP	(Range +5% to -5%)	(71)	79	(42)	46
AUD to HKD	(Range +5% to -5%)	(7)	7	(7)	8
AUD to SGD	(Range +5% to -5%)	(8)	8	(5)	6
AUD to PHP	(Range +5% to -5%)	(63)	69	(68)	75
AUD to EUR	(Range +5% to -5%)	(42)	46	(16)	18
AUD to CAD	(Range +5% to -5%)	(14)	15	(14)	15
AUD to INR	(Range +5% to -5%)	(29)	32	(51)	57
Net movement		(77)	83	(215)	238

Price risk

The Group is not exposed to significant equities price risk.

Interest rate risk

The Group is not exposed to any significant interest rate risk.

Cash balances

As at 31 December 2017 the Group had \$31,908,000 (2016: \$34,779,000) held in bank accounts and online wallets. The Group's cash balances are predominantly held in interest bearing bank accounts. Funds that are excess to short term liquidity requirements are generally invested in short term deposits.

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

Credit risk is managed by a risk assessment process for all customers, which takes into account past experience.

(c) Liquidity risk

Liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Financing arrangements

The Group does not have any borrowing facilities in place at the reporting date.

Maturities of financial liabilities

The following table details the Group's remaining contractual maturity for its financial instrument liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

	Note	1 year or less \$000	Between 1 and 2 years \$000	Between 2 and 5 years \$000	Over 5 years \$000	Remaining contractual maturities \$000
2017						
Non-derivatives						
Non-interest bearing						
Trade and other payables	13	32,956	-	-	-	-
Total		32,956	-	-	-	-
2016						
Non-derivatives						
Non-interest bearing						
Trade and other payables	13	32,728	-	-	-	-
Total		32,728	-	-	-	-

Trade and other payables are payable as and when they are due. The cash flows in the maturity analysis above are not expected to occur significantly earlier than disclosed.

4. Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. These include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities. The Board of Directors are identified as the chief operating decision makers (CODM).

Identification of reportable operating segments

The Group is organised into two operating segments: namely an online marketplace and online payment services. These segments are based on the internal reports that are reviewed and used by the CODM in assessing performance and in determining the allocation of resources (AASB 8 para. 5(b)).

The CODM assess the performance of the operating segments based on a measure of revenue and operating EBITDA (earnings before share based payments, interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The Group operates predominantly in Australia, where the majority of online revenues and expenses are incurred. Although the Group has staff and operations in Philippines, United Kingdom, Argentina, the United States and Canada in addition to Australia, these geographic operations are considered, based on internal management reporting and the allocation of resources by the Group's CODM, as one geographic segment.

The information reported to the CODM is at least on a monthly basis.

Year end 31 December 2017	Online Marketplace \$000	Online Payments \$000	Total \$000
Segment revenue			
Segment revenue	43,850	6,420	50,270
Total segment revenue	43,850	6,420	50,270
Segment result			
Segment profit	(2,095)	(1,644)	(3,739)
Share based payments			(986)
Depreciation and amortisation expenses			(701)
Loss before income tax			(5,426)
Income tax benefit			653
Loss for year			(4,773)
Segment Assets At 31 December 2017			
Segment assets	38,806	5,393	44,199
Intergroup eliminations	(4,554)		(4,554)
Deferred tax assets			4,003
Intangibles			25,042
Total assets	34,252	5,393	68,690
Segment liabilities At 31 December 2017			
Segment liabilities	(35,072)	(6,244)	(41,316)
Intergroup eliminations		4,554	4,554
Deferred tax liabilities			(5)
Total liabilities	(35,072)	(1,690)	(36,767)

Year end 31 December 2016	Online Marketplace \$000	Online Payments \$000	Total \$000
Segment revenue			
Segment revenue	45,168	7,581	52,749
Total segment revenue	45,168	7,581	52,749
Segment result			
Segment profit	56	462	518
Share based payments			(1,252)
Depreciation and amortisation expenses			(769)
Loss before income tax			(1,503)
Income tax benefit			330
Loss for year			(1,173)
Segment Assets At 31 December 2016			
Segment assets	41,641	3,342	44,983
Intergroup eliminations	(1,488)		(1,488)
Deferred tax assets			3,278
Intangibles			24,301
Total assets	40,153	3,342	71,074
Segment liabilities At 31 December 2016			
Segment liabilities	(34,901)	(2,269)	(37,170)
Intergroup eliminations		1,488	1,488
Deferred tax liabilities			(3)
Total liabilities	(34,901)	(781)	(35,685)

5. Revenue

The Company's net revenues result from transaction and other fees generated in its online marketplaces and in providing online escrow services. Revenues are recognised when evidence of an arrangement exists, the fee is fixed and determinable, no significant obligation remains and collection of the receivable is reasonably assured. Amounts disclosed as revenue are net of refunds and amounts collected on behalf of third parties. Where services have not been provided but the Company is obligated to provide the services in the future, revenue recognition is deferred. Provision for doubtful accounts and transaction losses are made at the time of revenue recognition based on the Company's historical experience. The provision for doubtful accounts and transaction losses are recorded as charges to cost of sales.

Revenue is recognised for the major business activities as follows:

Marketplace and payment services

Marketplace and escrow fees are recognised once the services have been completed and no significant obligation remains.

Interest income

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument.

Government grants

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met.

All revenue is stated net of the amount of goods and services tax (GST) and Valued Added Tax (VAT).

	2017 \$000	2016 \$000
Sales revenue		
Marketplace and payment services	49,775	52,508
Other revenue		
Interest income	37	130
Government grants	111	80
Proceeds from working capital adjustment on acquisition of Escrow.com	326	-
Other	21	31
Total revenue	50,270	52,749

6. Expenses

Loss before income tax benefit includes the following specific net losses and expenses:

	2017 \$000	2016 \$000
Employee expenses		
Wages and salaries (including superannuation)	19,820	18,633
Other employment costs	2,208	3,139
Total employee expenses	22,028	21,772
Depreciation and amortisation		
Plant and equipment	433	531
Leasehold improvements	268	238
Total depreciation and amortisation expenses	701	769
Rental expense relating to operating leases		
Minimum lease payments	2,776	2,922
Net foreign exchange losses	816	918
Finance costs		
Interest expense	15	5

Total employee benefits expenses are inclusive of:

Short-term obligations

Employee benefits that are expected to be settled within 12 months have been measured at the amounts expected to be paid when the liabilities are settled, plus related on-costs. The liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

Other long-term employee benefit obligations

Employee benefits payable later than 12 months have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wages increases and the probability that the employee may satisfy any vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows attributable to employee benefits.

Short-term incentive plans

The Group recognises a liability and an expense for bonuses payable under short term incentive plans. Short term incentive plans are based on the achievement of targeted performance levels that may be set at the beginning of each financial year. The Group recognises a liability to pay out short term incentives when contractually obliged based on the achievement of the stated performance levels, or where there is a past practice that has created a constructive obligation.

7. Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss
- temporary differences related to investments in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the tax expense in the period that such a determination is made.

The Company and its wholly-owned Australian resident entities are part of a tax consolidated group. As a consequence, all members of the tax-consolidated group are taxed as a single entity. The head entity within the tax-consolidated group is Freelancer Limited.

	2017 \$000	2016 \$000
(a) Income tax		
Current tax	70	80
Deferred tax	(723)	(410)
Income tax (benefit)	(653)	(330)
Deferred income tax expense included in income tax benefit comprises:		
(Increase) in deferred tax assets	(725)	(410)
Increase in deferred tax liability	2	-
Total deferred income tax	(723)	(410)
(b) Numerical reconciliation of income tax benefit to prima facie income tax payable		
Loss from ordinary activities before income tax expense	(5,426)	(1,503)
Tax at the Australian rate of 30%	(1,628)	(451)
Tax effect amounts which are not deductible / (taxable) in calculating taxable income:		
R&D tax incentive	(81)	(213)
Difference in tax rate	92	(196)
Share based payments	296	376
Over provision in prior years	-	(56)
Future benefit of foreign losses	(20)	(8)
Other non-allowable items	688	218
Income tax (benefit)	(653)	(330)
(c) Amounts recognised directly in equity		
Deferred tax associated with capital raising	60	122
(d) Deferred tax assets		
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Employee benefits	278	272
Provision for user disputes & refunds	58	104
Legal fees	24	24
Capital raising costs	-	24
Foreign exchange losses	110	337
Intangible assets	-	150
Provision for impairment of receivables	699	803
Audit fees	77	73
Future benefit of tax losses	2,443	1,333
Future benefit of foreign tax losses	254	36
Total amounts recognised in profit or loss	3,943	3,156
Amounts recognised directly in equity:		
Capital raising costs	60	122
Total amounts recognised in equity	60	122
Net deferred tax assets	4,003	3,278
Movements:		
Opening balance at beginning of year	3,278	2,865
Credited to the profit or loss statement	725	413
Closing balance at end of year	4,003	3,278

	2017 \$000	2016 \$000
(e) Deferred tax liabilities		
The balance comprises temporary differences attributable to:		
Fixed assets	5	3
Net deferred tax liabilities	5	3
Movements:		
Opening balance at beginning of year	3	3
Credited to the profit or loss statement	2	-
Closing balance at end of year	5	3
(f) Current tax assets		
Current tax assets	105	155
(g) Current tax liabilities		
Current tax liabilities	61	81
(h) Franking credits		
Franking credits available at the reporting date based on a tax rate of 30%	66	87

Freelancer Limited and its wholly-owned Australian entities elected to form an income tax consolidated group as of 12 April 2010.

8. Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

	2017 \$000	2016 \$000
Current		
Cash at bank and on hand	31,111	31,323
Term deposits	797	3,456
Total cash and cash equivalents	31,908	34,779

9. Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. This provision includes amounts that are not considered to be recoverable from debtors and amounts that are expected to be credited to debtors. Trade receivables are generally due for settlement no more than 30 days from the date of recognition. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. In addition, the trade receivables balances are considered for credit notes that are expected to be raised against individual and collective balances.

	2017 \$000	2016 \$000
Current		
Trade receivables	2,521	3,332
Payment gateway receivables	2,803	3,461
Less: provisions for impairment of trade receivables	(2,331)	(2,679)
Current trade receivables net of provisions for impairment	2,993	4,114
Other receivables	65	52
Total current trade and other receivables	3,058	4,166
Non-Current		
Payment gateway receivables	871	216
Total trade and other receivables	3,929	4,382
(a) Provision for impaired trade receivables		
Opening balance	2,679	1,545
Increase / (Decrease) in provisions for impairment during the year	(115)	1,090
Exchange differences	(233)	44
Closing balance	2,331	2,679
(b) Ageing of current trade receivables		
1 – 30 days	3,185	4,091
31 – 60 days	215	565
61 – 90 days	171	584
90+ days	1,753	1,553
Provision for impairment	(2,331)	(2,679)
Total trade receivables net of provision for impairment	2,993	4,114

10. Other assets

	2017 \$000	2016 \$000
Current		
Prepayments	868	861
Other	1	105
Total current other assets	869	966
Non-current		
Security deposits	521	502
Total non-current other assets	521	502
Total other assets	1,390	1,468

11. Plant and equipment

Plant and equipment is stated at historical cost less depreciation, amortisation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have not been discounted in determining recoverable amounts.

Depreciation of all fixed assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

- Fixtures and fittings 4 - 5 years
- Motor vehicles 4 years
- Office and computer equipment 4 - 5 years
- Software 3 years
- Leasehold improvements shorter of either the unexpired period of the lease or the estimated useful lives of the improvements

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are recognised in the profit and loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

	2017 \$000	2016 \$000
Non-current		
Office and computer equipment – at cost	2,315	1,992
Accumulated depreciation	(1,556)	(1,150)
Carrying value of office and computer equipment	759	842
Fixtures and fittings – at cost	494	497
Accumulated depreciation	(394)	(345)
Carrying value of fixtures and fittings	100	152
Motor vehicles – at cost	42	42
Accumulated depreciation	(42)	(42)
Carrying value of motor vehicles	-	-
Software – at cost	19	19
Accumulated depreciation	(16)	(12)
Carrying value of software	3	7
Leasehold improvements – at cost	730	864
Accumulated amortisation	(679)	(554)
Carrying value of leasehold improvements	51	310
Total carrying value of plant and equipment	913	1,311

Reconciliations

Reconciliations of the carrying amount of plant and equipment and leasehold improvements at the beginning and end of the current financial year are set out below:

	Office and computer equipment \$000	Fixtures and fittings \$000	Motor Vehicles \$000	Software \$000	Leasehold improvements \$000	Total \$000
Balance at 1 January 2016	896	206	-	12	538	1,652
Additions	385	34	-	-	9	428
Depreciation and amortisation	(439)	(88)	-	(5)	(237)	(769)
Balance at 31 December 2016	842	152		7	310	1,311
Additions	365	29	-	-	11	405
Disposals	-	-	-	-	(102)	(102)
Depreciation and amortisation	(448)	(81)	-	(4)	(168)	(701)
Balance at 31 December 2017	759	100	-	3	51	913

12. Intangible assets

Goodwill

Goodwill is initially recorded at the amount by which the purchase price for a business combination exceeds the fair value attributed to the interest in the net fair value of identifiable assets, liabilities and contingent liabilities acquired at date of acquisition. Goodwill is not amortised. Instead goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

Domain Names

Domain names are valued at cost of acquisition. Domain names are tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, either individually or at the cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Intellectual Property

Intellectual property is valued at cost of acquisition. Intellectual property is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, either individually or at the cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Trademarks

Trademarks are valued at cost of acquisition and are amortised on a straight-line basis over the period in which the benefits are expected to be realised. Trademarks are tested for impairment where an indicator of impairment exists, either individually or at the cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

	2017 \$000	2016 \$000
Non Current		
Domain names – at cost	4,877	4,136
Accumulated impairment	(28)	(28)
Carrying value of domain names	4,849	4,108
Intellectual property – at cost	2,198	2,198
Accumulated impairment	-	-
Carrying value of domain names	2,198	2,198
Goodwill	19,395	19,395
Accumulated impairment	-	-
Carrying value of goodwill	19,395	19,395
Total carrying value of intangible assets	26,442	25,701

Reconciliations

Reconciliations of the carrying amount of intangible assets at the beginning and end of the current and previous financial year are set out below:

	Domain names \$000	Intellectual property \$000	Goodwill \$000	Total \$000
Balance at 1 January 2016	3,055	1,400	19,395	23,850
Additions	1,053	798	-	1,851
Impairment	-	-	-	-
Amortisation	-	-	-	-
Balance at 31 December 2016	4,108	2,198	19,395	25,701
Additions	741	-	-	741
Impairment	-	-	-	-
Amortisation	-	-	-	-
Balance at 31 December 2017	4,849	2,198	19,395	26,442

The Directors have determined the useful life of domain names is indefinite and subject to an annual test for impairment of the fair value of the domain names. The Directors have assessed the recoverability of domain names, intellectual property and goodwill based on value in use calculations.

The recoverable amount of the Group's intangible assets has been determined by a value-in-use calculation using a discounted cash flow model, based on a 12 month projection period for the Group approved by management and extrapolated for a further 5 years with a discounted terminal value.

Goodwill is allocated to cash-generating units which are based on the Group's reporting segments:

	2017 \$000	2016 \$000
Online marketplace	15,553	15,553
Online payments	10,889	10,889
Total	26,442	26,442

The recoverable amount of each cash-generating unit above is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections over a 5 year period with the period extending beyond 5 years extrapolated using a 2% terminal growth rate. The cash flows are discounted based on management's estimate of the time value of money and the Group's weighted average cost of capital adjusted for the risk free rate and the volatility of the share price relative to market movements.

The following key assumptions were used in the value-in-use calculations:

	CAGR Rate	Discount Rate
Online marketplace	21%	30%
Online payments	14%	30%

Management has based the value-in-use calculations on budgets for each reporting segment. These budgets use historical weighted average growth rates to project revenue. Costs are calculated taking into account historical gross margins as well as estimated weighted average inflation rates over the period, which are consistent with inflation rates applicable to the locations in which the segments operate. Discount rates are pre-tax and are adjusted to incorporate risks associated with a particular segment.

Based on the above, management is satisfied that there are no indicators of impairment to the current carrying value of intangible assets.

13. Trade and other payables

These amounts represent liabilities for goods and services provided to the Group and amounts outstanding to users of the Company's websites at the end of financial year which are unpaid. The amounts are unsecured and are payable as and when they are due. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date.

	2017 \$000	2016 \$000
Current		
Trade payables	3,184	3,067
Sundry payables and accrued expenses	840	939
User obligations	28,932	28,722
Total trade and other payables	32,956	32,728

14. Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions recognised represent the best estimate of the amounts required to settle the obligation at reporting date.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting the obligations under the contract. The provision is stated at the present value of the future net cash outflows expected to be incurred in respect of the contract.

	2017 \$000	2016 \$000
Current		
Provision for user disputes and refunds	192	346
Employee benefits	931	979
Provision for penalties*	897	-
Total current provisions	2,020	1,325
Non-current		
Make-good provisions	266	237
Employee benefits	243	137
Total non-current provisions	509	374
Total provisions	2,529	1,699

*At the time of the acquisition of the escrow.com business in November 2015, it held eight money transmission and/or escrow licences in the US. After the acquisition, the Company has pursued an aggressive program of applying for money transmission and/or escrow licenses in the remaining states in the US. At 31 December 2017, thirty licences were in place. As part of this process, in FY17 the division incurred one-off regulatory penalties of \$0.2 million for unlicensed activity (substantially pre-acquisition). In addition the Company has further made provision of \$0.9 million as an estimate of probable penalties.

15. Contributed equity

(a) Share capital

	Note	2017 Number	2016 Number	2017 \$000	2016 \$000
Ordinary shares					
Fully paid	15(b)	456,835,488	458,728,081	38,049	37,750
Total share capital				38,049	37,750

(b) Movements in ordinary share capital

Reconciliation to 31 December 2016	Number of shares	Average price	\$000
Balance at 1 January 2016	457,294,618		37,310
Issue / (cancellation) of ordinary shares:			
Issue of ordinary shares under incentive plan	333,333	\$0.00	-
Issue of ESP shares ¹	3,665,539	\$1.49	-
Buy-back and cancellation of ESP shares	(2,565,409)	\$1.15	-
Contributed equity arising from repayment of ESP loans	-	-	440
Balance at 31 December 2016	458,728,081		37,750

Reconciliation to 31 December 2017	Number of shares	Average price	\$000
Balance at 1 January 2017	458,728,081		37,750
Issue / (cancellation) of ordinary shares:			
Issue of ESP shares ¹	1,885,928	\$0.52	-
Buy-back and cancellation of ESP shares	(3,778,521)	\$0.84	-
Contributed equity arising from repayment of ESP loans	-	-	299
Balance at 31 December 2017	456,835,488		38,049

1. As the ESP is considered in substance a share option, the ESP shares issued and corresponding loan receivables are not recognised by the Group in its financial statements. The loan receivable does not satisfy the "probable future benefits following to the entity" criteria on the basis that the loan is non-recourse. The ESP shares will not be considered issued to participants until the corresponding loan has been repaid, at which time there will be an increase in the issued capital and increase in cash.

(c) Ordinary shares

Ordinary shares have the right to receive dividends as declared, and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

(d) Employee Share Plan (ESP)

Information relating to the ESP, including details of shares issued under the plan, is set out in Note 21.

(e) Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns to shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current parent entity's share price at the time of the investment. The Group actively pursues additional investments as part of its growth strategy.

The capital risk management policy remains unchanged from the 2016 Annual Report.

16. Equity – reserves

(a) Movements

	2017 \$000	2016 \$000
Share based payment reserve movements		
Balance at the beginning of the period	2,838	1,585
Share based payment expense	986	1,253
Balance at the end of the period	3,824	2,838
Foreign currency translation reserve movements		
Balance at the beginning of the period	(405)	(367)
Currency translation differences arising during the period	22	(38)
Balance at the end of the period	(383)	(405)
Total reserves	3,441	2,433

(b) Nature and purpose of reserves

Share-based payments reserve

This amount represents the value of the ESP share grants to employees under the Freelancer Employee Share Plan and other compensation granted in the form of equity.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of its overseas subsidiaries.

17. Key management personnel disclosures

(a) Directors

The following persons were Directors of Freelancer Limited during the financial year:

- Mr Robert Matthew Barrie – Executive Chairman
- Mr Darren Nicholas John Williams – Non-Executive Director
- Mr Simon Alvin Clausen – Non-Executive Director

(b) Other key management personnel

The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, during the financial year:

- Mr Neil Leonard Katz – Chief Financial Officer and Company Secretary

(c) Key management personnel compensation

	2017 \$000	2016 \$000
Short-term employee benefits	956	954
Share based employee benefits	142	102
Other long term benefits	62	65
Total benefits	1,160	1,121

Short-term employee benefits

These amounts include fees and benefits paid to the Non-Executive Directors as well as all salary, paid leave benefits, fringe benefits and cash bonuses awarded to Executive Directors and other KMP.

Other long-term benefits

These amounts represent long service leave benefits accruing during the year, long-term disability benefits and deferred bonus payments.

Share based payments

These amounts represent the expense related to the participation of KMP in equity-settled schemes as measured by the fair value of the options rights and shares granted on grant date.

Further information in relation to KMP remuneration can be found in the Remuneration Report, which is included in the Director's Report.

18. Remuneration of auditors

During the year the following fees were paid for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2017 \$000	2016 \$000
(a) Hall Chadwick		
<i>Audit and other assurance services</i>		
Audit and review of financial reports	109	104
<i>Taxation services</i>		
Tax compliance services, including review of Company income tax returns	21	47
Total remuneration of Hall Chadwick	130	151
(b) Audit firms other than Hall Chadwick		
<i>Audit and other assurance services</i>		
Audit and review of financial reports	60	75
<i>Taxation services</i>		
Tax compliance services, including review of subsidiary income tax returns	13	18
Total remuneration of audit firms other than Hall Chadwick	73	93
Total auditors' remuneration	203	244

19. Contingent liabilities

Except for the items listed below, there are no other contingent liabilities as at 31 December 2017:

- a collateral amount of USD100,000 (2016: USD100,000) is in place in one of the Group's PayPal accounts in favour of PayPal Australia Pty Ltd;
- term deposits of \$71,257 (2016: \$77,482) are secured for corporate credit card facilities in place;
- deposits of \$1,200,000 (2016: \$730,000) are held by various credit card processing providers, as security for any contractual compensation arising under these agreements;
- included in cash is an amount of \$724,000 on term deposit, which is secured against a bank guarantee that has been provided to the lessor in respect of premises occupied by the Company at Level 20, 680 George Street Sydney.
- included in cash is an amount of USD455,000, which is secured in connection with surety bonds in place with certain regulators in the US.
- included in cash is an amount of USD82,000 (2016: USD180,000), which is held as a reserve to satisfy escrow regulatory requirements in respect of credit card transactions.

20. Commitments for expenditure

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Leases are made up of operating leases of property. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated profit or loss statement on a straight-line basis over the period of the lease. Benefits that are provided to the Group as an incentive to enter into a lease arrangement are recognised as a liability and amortised on a straight-line basis over the life of the lease.

Where the Group acts as lessor in an operating lease arrangement, rental income from operating leases is accounted for on a straight-line basis over the period of the lease. Lease incentives provided are recognised over the lease term on a straight-line basis.

(a) Non-cancellable operating leases

The Group has entered into commercial leases for office property. As at 31 December 2017 these leases had remaining lives ranging from 1 month up to 28 months. Rentals paid under operating leases are charged to the income statement on a straight line basis over the period of the lease. Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

	2017 \$000	2016 \$000
Less than one year	4,284	2,306
Between one and five years	2,138	3,784
More than five years	-	-
Total operating lease commitments	6,422	6,090

(b) Non-cancellable operating services

The Group has entered into a commercial agreement for web hosting services with an annual fee commitment for 2 years commencing on 1 January 2018. Fees paid under this agreement are charged to the income statement on a usage basis over the period of the agreement. This commitment is fixed in USD. The future minimum fee commitment under this agreement has been calculated using the spot exchange rate at 31 December 2017 and may be subject to variation due to changes in exchange rates. The amounts are as follows:

	2017 \$000	2016 \$000
Less than one year	4,639	-
Between one and five years	5,103	-
More than five years	-	-
Total operating lease commitments	9,742	-

(c) Other capital commitments

There were no capital commitments as at 31 December 2017

21. Share based payments

The Group operates an employee share plan. The fair value of the effective option over the shares granted under the Company's Employee Share Plan (ESP) is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the ESP shares.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the ESP shares, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the ESP share, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the ESP share.

The fair value of share grants issued outside of the ESP is independently determined based on the value of the shares at grant date less the present value of dividends expected to be distributed between the grant date and the vesting dates.

During the year ended 31 December 2013, the Company established a share based payment plan, the Employee Share Plan (ESP) to assist the Company in retaining and attracting current and future employees by providing them with the opportunity to own shares in the Company. Resolutions to amend and approve the ESP were passed at the AGM held on 17 May 2016.

The key terms of the ESP are as follows:

- the Board may invite a person who is employed or engaged by or holds an office with the Group (whether on a full or part-time basis) and who is declared by the Board to be eligible to participate in the ESP from time to time (Eligible Employee) to apply for fully paid ordinary shares under the plan from time to time (ESP shares);
- invitations to apply for ESP shares offered to Eligible Employees subsequent to the Company's initial public offering are to be made on the basis of the market price per share defined as the volume weighted average price at which the Company's shares have traded during the 30 days immediately preceding the date of the invitation;
- invitations to apply for ESP shares under the ESP will be made on a basis determined by the Board (including as to the conditionality on the achievement of any key performance indicators) and notified to Eligible Employees in the invitation, or if no such determination is made by the Board, on the basis that ESP shares will be subject to a 4 year vesting period, with:
 - » 10% of ESP shares applied for vesting on the date that is the first anniversary of the issue date of the ESP shares;
 - » 20% of ESP shares applied for vesting on the date that is the second anniversary of the issue date of the ESP shares;
 - » 30% of ESP shares applied for vesting on the date that is the third anniversary of the issue date of the ESP shares; and

- » 40% of ESP shares applied for vesting on the date that is the fourth anniversary of the issue date of the ESP shares.
- Eligible Employees who accept an invitation (ESP Participants) may be offered an interest free loan from the Company to finance the whole of the purchase of the ESP shares they are invited to apply for (ESP Loan). ESP Loans will have a term of 4 years and become repayable in full on the earlier of:
 - » the fourth anniversary of the issue date of the Employee Offer Shares; and
 - » if the ESP Participant ceases to be an Eligible Employee, either:
 - » the date 30 days after the date of cessation, if the Eligible Employee is a good leaver (as defined in the ESP); or
 - » that date of cessation, if the Eligible Employee is a bad leaver (as defined in the ESP).
- if the ESP Participant does not repay the outstanding ESP Loan, or it notifies the Company that it cannot, then such number of ESP shares that equal by value (using the price at which the ESP shares were issued) the outstanding amount of the ESP Loan will become the subject of a buy-back notice from the Company which the ESP Participant must accept. The buy-back of such number of ESP shares will be considered full and final satisfaction of the ESP Loan and the Company will not have any further recourse against the ESP Participant;
- any dividends received by the ESP Participant whilst the whole or part of the ESP Loan remains outstanding must be applied to the repayment of the ESP Loan. In addition, an ESP Participant may make pre-payments at any time;
- the maximum number of ESP shares for which invitations may be issued under the ESP together with the number of ESP shares still to be issued in respect of already accepted invitations and that have already been issued in response to invitations in the previous 5 years (but disregarding ESP shares that are or were issued following invitations to non-residents, that did not require a disclosure document under the Corporations Act, or that were issued under a disclosure document under the Corporations Act) must not exceed 5% of the total number of ordinary shares on issue in the Company at the time the invitations are made;
- in the event of a corporate reconstruction, the Board will adjust, subject to the Listing Rules (if applicable), any one or more of the maximum number of Shares that may be issued under the ESP (if applicable), the subscription price, the buy-back price and the number of ESP shares to be vested at any future vesting date (if applicable), as it deems appropriate so that the benefits conferred on ESP Participants after a corporate reconstruction are the same as the benefits enjoyed by the ESP Participants before the corporate reconstruction. On conferring the benefit of any corporate reconstruction, any fractional entitlements to shares will be rounded down to the nearest whole share;
- ESP Participants will continue to have the right to participate in dividends paid by the Company despite some or all of their ESP shares not having vested yet or being subject to an ESP Loan. If an ESP Loan has been made to the ESP Participant, then any dividend due must first be applied to reducing any outstanding ESP Loan amount applicable to the ESP shares on which the dividend is paid;
- ESP shares which have not vested and/or are subject to repayment of the ESP Loan will be restricted (escrowed) from trading;
- the Company may buy-back at the issue price any ESP shares which:
 - » have not vested, or are incapable of vesting at any time (including as a result of the ESP Participant failing to meet any key performance indicators on which vesting of ESP shares is conditional); or
 - » remain in escrow and/or are the subject of an ESP Loan, on the occurrence of:
 - » the ESP Participant ceasing to be an Eligible Employee (unless the Board, in its sole and absolute discretion determines otherwise, subject to any conditions that it may apply, including the repayment of any outstanding ESP Loan); or
 - » the expiration of the term of the ESP Loan.
- any bonus securities issued in relation to ESP shares which remain unvested or are subject to an ESP Loan which becomes repayable in full will be the subject of a buy-back by the Company at the issue price for no consideration;
- on the death or permanent disability of an ESP Participant, all ESP shares held by the ESP Participant or their estate will immediately vest subject to the repayment of any outstanding ESP Loan by the curator, executor or nominated beneficiary(ies) (as the case may be) within 30 days of their appointment (or such longer period as the Company in its discretion may allow). Failing such repayment, the Company will buy-back all ESP shares in respect of which there is an outstanding ESP Loan;
- the rules of the ESP and any amendment to the rules of the ESP must be in accordance with the Listing Rules and the Corporations Act;
- if, while the Company's shares are traded on the ASX or any other stock exchange, there is any inconsistency between the terms of the ESP and the Listing Rules, the Listing Rules will prevail; and
- the ESP is governed by the laws of the State of New South Wales, Australia.

The full terms of the ESP are available on the Company's website, www.freelancer.com.

(a) ESP share grants

Set out below are summaries of ESP shares granted and issued under the plan:

Grant date	Issue price	Balance at the start of the year	Granted / issued	Released from restrictions	Forfeited / cancelled	Balance at the end of the year	Balance of unvested ESP shares	Balance of vested ESP shares
2017								
14 October 2013	\$0.50	900,000	-	-	(900,000)	-	-	-
13 November 2013	\$0.50	1,501,287	-	(212,766)	(1,288,521)	-	-	-
28 February 2014	\$1.54	-	-	-	-	-	-	-
22 May 2014	\$1.14	-	-	-	-	-	-	-
3 November 2014	\$0.70	-	-	-	-	-	-	-
20 February 2015	\$0.66	1,000,000	-	-	-	1,000,000	291,671	708,329
10 March 2015	\$0.77	1,500,000	-	(250,000)	-	1,250,000	468,750	781,250
10 April 2015	\$1.01	600,000	-	-	(350,000)	250,000	83,335	166,665
3 June 2015	\$1.08	300,000	-	-	(150,000)	150,000	105,000	45,000
12 August 2015	\$1.40	825,000	-	-	(90,000)	735,000	514,500	220,500
15 October 2015	\$1.45	375,000	-	-	-	375,000	262,500	112,500
24 November 2015	\$1.76	125,000	-	-	(50,000)	75,000	52,500	22,500
21 December 2015	\$1.76	100,000	-	-	-	100,000	70,000	30,000
7 March 2016	\$1.53	30,000	-	-	-	30,000	22,500	7,500
24 March 2016	\$1.32	400,000	-	-	(400,000)	-	-	-
26 April 2016	\$1.38	320,000	-	-	(250,000)	70,000	52,500	17,500
22 June 2016	\$1.55	300,000	-	-	-	300,000	247,500	52,500
27 July 2016	\$1.59	1,065,539	-	-	(300,000)	765,539	622,905	142,634
4 November 2016	\$1.34	530,000	-	-	-	530,000	450,000	80,000
30 October 2017	\$0.48	-	50,000	-	-	50,000	50,000	-
8 December 2017	\$0.52	-	835,928	-	-	835,928	835,928	-
19 December 2017	\$0.52	-	1,000,000	-	-	1,000,000	1,000,000	-
Total		9,871,826	1,885,928	(462,766)	(3,778,521)	7,516,467	5,129,589	2,386,878
2016								
14 October 2013	\$0.50	900,000	-	-	-	900,000	187,501	712,499
13 November 2013	\$0.50	2,807,238	-	(660,336)	(645,615)	1,501,287	351,794	1,149,493
28 February 2014	\$1.54	-	-	-	-	-	-	-
22 May 2014	\$1.14	-	-	-	-	-	-	-
3 November 2014	\$0.70	-	-	-	-	-	-	-
20 February 2015	\$0.66	1,200,000	-	(62,499)	(137,501)	1,000,000	541,671	458,329
10 March 2015	\$0.77	1,500,000	-	-	-	1,500,000	843,750	656,250
10 April 2015	\$1.01	950,000	-	(67,707)	(282,293)	600,000	370,837	229,163
3 June 2015	\$1.08	400,000	-	-	(100,000)	300,000	270,000	30,000
12 August 2015	\$1.40	1,065,000	-	-	(240,000)	825,000	746,500	78,500
15 October 2015	\$1.45	375,000	-	-	-	375,000	337,500	37,500
24 November 2015	\$1.76	125,000	-	-	-	125,000	112,500	12,500
21 December 2015	\$1.76	240,000	-	-	(140,000)	100,000	90,000	10,000
7 March 2016	\$1.53	-	1,000,000	-	(970,000)	30,000	30,000	-
24 March 2016	\$1.32	-	400,000	-	-	400,000	400,000	-
26 April 2016	\$1.38	-	320,000	-	-	320,000	320,000	-
22 June 2016	\$1.55	-	350,000	-	(50,000)	300,000	300,000	-
27 July 2016	\$1.59	-	1,065,539	-	-	1,065,539	1,065,539	-
4 November 2016	\$1.34	-	530,000	-	-	530,000	530,000	-
Total		9,562,238	3,665,539	(790,542)	(2,565,409)	9,871,826	6,497,592	3,374,234

All Eligible Employees who accepted an offer of ESP shares were given an interest free loan from the Company to finance the whole of the purchase of the ESP shares they were invited to apply for (ESP Loan).

The ESP Loans are provided to participants on a non-recourse basis and upon vesting must be repaid in order to remove trading restrictions on vested ESP shares. The term of the ESP Loan is four years; however, participants may forfeit their ESP shares if they do not repay the ESP Loan or leave the Company. As the ESP removes the risk to participants from decreases in the share price

by limiting the maximum loan amount repayable to the value of the ESP shares disposed and waiving the ESP Loan should the participant forfeit their ESP shares, whilst still allowing participants the rewards of any increase in share price, the Company has effectively granted the participants an option to the ESP shares due to the ESP Loans being non-recourse. As such, this arrangement is accounted for under AASB 2.

The assessed weighted average fair value at grant date of the effective share options granted during the financial year is \$0.22 per option (2016: \$0.62). Options were priced using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option. The expected price volatility of the Company's shares is based on the historical volatility of ASX listed companies considered to be comparable to Freelancer Limited.

(b) Share grants

On 29 October 2014, the Company agreed to issue a maximum of 1,733,333 fully paid ordinary shares to certain employees. The agreement to issue shares was made outside of the ESP. The issue of the incentive shares was to occur in several tranches, with each tranche conditional only upon the respective personnel being in on-going employment on the respective issue dates. At 31 December 2016, the Company has issued 658,333 of these shares. The remaining 1,075,000 shares will not be issued as the respective personnel are no longer employed with the Company.

The 658,333 incentive shares issued ranked equally with existing ordinary shares in the Company and the issue price of each tranche was the 5 day volume weighted average price of the Company's shares on the date of issue of the incentive shares.

The assessed weighted average fair value at grant date of the share grants issued is nil (2016: \$0.705). The fair value of the share grants is determined based on the value of the shares at grant date less the present value of dividends expected to be distributed between the grant date and the issue dates.

22. Related party transactions

(a) Parent entity

Freelancer Limited is the parent entity and ultimate controlling entity.

(b) Interests in controlled entities

Interests in subsidiaries are set out in Note 24.

(c) Transactions with key management personnel

Disclosures relating to key management personnel are set out in Note 17 and the Remuneration Report.

(d) Transactions with related parties

Receivable from and payable to related parties

There were no receivables from or payable to related parties at reporting date in relation to transactions with related parties detailed above.

Loans to / from related parties

There were no loans to or from related parties at the reporting date.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

23. Parent entity information

The financial information for the parent entity, Freelancer Limited has been prepared on the same basis as the consolidated financial statements, except as set out below.

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the financial statements of Freelancer Limited. Investments in subsidiaries are tested for impairment whenever changes in events or circumstances indicate that the carrying amount may not be recoverable.

Income tax consolidation legislation

Freelancer Limited and its wholly-owned Australian entities have elected to form an income tax consolidated group.

Freelancer Limited (as the head entity) and its wholly-owned Australian entities (as members of the Freelancer income tax consolidated group) account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the income tax consolidated group continues to be a standalone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Freelancer Limited also recognises the current tax liabilities (or assets) assumed from its wholly-owned entities in the income tax consolidated group.

Set out below is the supplementary information about the parent entity.

	2017 \$000	2016 \$000
Statement of comprehensive income		
Loss after tax	(1,460)	(1,606)
Total comprehensive loss	(1,460)	(1,606)
Statement of financial position		
Current assets	3,875	3,984
Non-current assets	32,761	33,833
Total assets	36,636	37,817
Current liabilities	24	40
Total liabilities	24	40
Net assets	36,612	37,777
Contributed equity	38,049	37,750
Reserves	3,824	2,838
Accumulated losses	(5,261)	(2,811)
Total equity	36,612	37,777

Contingent liabilities

The parent entity had no contingent liabilities at 31 December 2017 and 31 December 2016.

Capital commitments – plant and equipment

The parent entity had no capital commitments as at 31 December 2017 and 31 December 2016.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group, except for investments in subsidiaries which are accounted for at cost, less any impairment.

24. Interests in controlled entities

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 28:

Name of entity	Country of Incorporation	Percentage Owned (%)	
		2017	2016
Subsidiaries of Freelancer Limited:			
Freelancer International Pty Ltd	Australia	100	100
Freelancer Technology Pty Ltd	Australia	100	100
Freelancer India Pty Ltd	Australia	100	100
Warrior Forum Pty Ltd	Australia	100	100
Warrior Technology Pty Ltd	Australia	100	100
Payments Pty Ltd	Australia	100	100
Payments International Pty Ltd	Australia	100	100
Payments Australia Pty Ltd	Australia	100	100
Payments IP Pty Ltd	Australia	100	100
StartCon Pty Ltd	Australia	100	100
Freelancer Networks (Canada), Inc.	Canada	100	100
Freelancer Outsourcing, Inc.	Canada	100	100
Freelancer.com Pte Limited	Singapore	100	100
Freelancer International GmbH	Switzerland	100	100
Freemarket (Switzerland) GmbH	Switzerland	100	100
Freelancer Online India Private Limited	India	100	100
Freelancer.com Philippines, Inc.	Philippines	100	100
Freelancer Outsourcing UK Limited	United Kingdom	100	100
Payments Europe Limited	United Kingdom	100	100
Freelancer (Shanghai) Information Technology Co., Ltd.	China	100	100
Westmor Management, Inc. *	United States	100	100
Escrow.com, Inc. *	United States	100	100
EC Services Corporation*	United States	100	100
IES International, Inc. *	United States	100	100
Internet Escrow Services, Inc. *	United States	100	100

* Escrow.com group

25. Events occurring after the reporting date

There are no other matters or circumstances that have arisen since 31 December 2017 that have significantly affected, or may significantly affect:

- the aggregated entity's operations in the future financial years, or
- the results of those operations in future financial years, or
- the aggregated entity's state of affairs in the future financial affairs.

26. Reconciliation of loss after tax to net cash flow from operating activities

	2017 \$000	2016 \$000
Loss for the year	(4,773)	(1,173)
Cash flows excluded from loss attributable to operating activities:		
Proceeds from working capital adjustment on acquisition of Escrow.com	(326)	-
Non-cash items in operating loss:		
Depreciation and amortisation	701	769
Share based payments expense	986	1,252
Net exchange differences	319	(292)
Changes in operating assets and liabilities:		
Decrease / (Increase) in trade and other receivables	658	(1,147)
(Increase) in deferred tax assets	(725)	(413)
Decrease / (Increase) in other assets	78	(44)
Increase in trade and other creditors	1,652	5,369
Increase / (Decrease) in provision for income tax	30	(121)
Increase in deferred tax liabilities	2	-
Increase in provisions for employee benefits	58	342
Increase / (Decrease) in other provisions	772	(66)
Net cash (outflow) / inflow from operating activities	(568)	4,476

27. Earnings per share (EPS)

Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

	2017 Cents	2016 Cents
(a) Basic earnings per share		
From operations attributable to the ordinary equity of the Company	(1.06)	(0.26)
Total basic earnings per share attributable to the ordinary equity holders of the Company	(1.06)	(0.26)
(b) Diluted earnings per share		
From operations attributable to the ordinary equity of the Company	(1.04)	(0.25)
Total basic earnings per share attributable to the ordinary equity holders of the Company	(1.04)	(0.25)
(c) Reconciliation of earnings used in calculating earnings per share		
	\$000	\$000
Basic earnings per share:		
Loss from continuing operations	(4,773)	(1,173)
Diluted earnings per share:		
Loss attributable to the ordinary equity holders of the Company	(4,773)	(1,173)

	2017 Shares	2016 Shares
(d) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used in calculating basic earnings per share	449,055,421	448,856,255
Adjustments for calculation of ordinary shares used in calculating diluted earnings per share:		
ESP shares	9,668,625	10,582,610
Share grants	-	166,210
Weighted average number of ordinary shares used in calculating diluted earnings per share	458,724,046	459,605,075

(e) Information on the classification of securities**ESP shares and share grants**

ESP shares granted to employees under the ESP and shares granted to employees outside of the ESP are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The ESP shares and share grants have not been included in the determination of basic earnings per share. Details relating to the ESP shares are set out in Note 21.

28. Other significant accounting policies**(a) Principles of consolidation**

The consolidated financial statements incorporate all of the assets, liabilities and results of Freelancer Limited and all subsidiaries. Subsidiaries are all entities over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. A list of the subsidiaries is provided in Note 24.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as "non-controlling interests". The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

(b) Goods and Services Tax (GST) and Valued Added Tax (VAT)

Revenues, expenses and assets are recognised net of the amount of associated GST and VAT, except where the amount of GST and VAT incurred is not recoverable from the relevant taxation authority. In these circumstances, the GST and VAT is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables are stated inclusive of the amount of GST and VAT receivable or payable. The net amount of GST and VAT recoverable from, or payable to, the relevant taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented in the cash flow statement on a gross basis. The GST and VAT components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the taxation authority are presented as operating cash flows included in receipts from customers or payments to suppliers.

Commitments and contingencies are disclosed net of the amount of GST and VAT recoverable from, or payable to, the relevant taxation authority.

(c) Research & development

Costs relating to research and development of new software products are expensed as incurred until technological feasibility in the form of a working model has been established. At such time costs may be capitalised, subject to recoverability. Software development costs incurred subsequent to the establishment of technological feasibility have not been significant, and the Group has not capitalised any software development costs to date.

(d) Foreign currency transactions and balances**Functional and presentation currency**

The functional currency of each of the Group entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, which is the parent entity's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency is translated as follows:

- Assets and liabilities are translated at period end exchange rates prevailing at that reporting date.
- Income and expenses are translated at average exchange rates for the period.
- Retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. The cumulative amount of these differences is reclassified into profit or loss in the period in which the operation is disposed of.

(e) Impairment of assets

At the end of each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is recognised immediately in the profit or loss.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an

individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

(f) Business Combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exceptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of profit or loss and comprehensive income. The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

(g) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where the Group has retrospectively applied an accounting policy, made a retrospective restatement or reclassified items in its financial statements, an additional statement of financial position as at the beginning of the earliest comparative period will be disclosed.

(h) Critical accounting estimates and judgments

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Business Combinations

Following the guidance in AASB 3: Business Combinations, the Group has made assumptions and estimates to determine the purchase price of businesses acquired as well as its allocation to acquired assets and liabilities. To do so, the Group is required to determine at the acquisition date fair value of the identifiable net assets acquired, including intangible assets such as brand, customer relationships and liabilities assumed. Goodwill is measured as the excess of the fair value of the consideration transferred including the recognised amount of any non-controlling interest over

the net recognised amount of the identifiable assets and liabilities.

The assumptions and estimates made by the Group have an impact on the asset and liability amounts recorded in the financial statements. In addition, the estimated useful lives of the acquired amortisable assets, the identification of intangible assets and the determination of the indefinite or finite useful lives of intangible assets acquired will have an impact on the Group's future profit or loss.

Impairment of intangible assets

The Group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates. During the year ended 31 December 2017, no impairment has been recognised in respect of intangible assets. The Group assessed recoverability of goodwill based on the present value of cash flow projections over a 6 year period. Should any of the intangible assets fail to perform, an impairment loss would be recognised up to the maximum carrying value of intangible assets at 31 December 2017 of \$26,442,000 (2016: \$25,701,000).

Provisions for doubtful accounts and transaction losses

Provision is made in respect of the Group's best estimate of doubtful accounts and transaction losses based on historical experience.

Share based payments

The Group measures the cost of equity settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined with the assistance of an external valuation with the assumptions detailed in Note 21. The accounting estimates and assumptions relating to equity settled share based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

Income taxes

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Judgment is required in determining the worldwide provision for income taxes. There are transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group estimates its tax liabilities based on the Group's understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and unused tax losses as management considers that it is probable that future taxable profits will be available to utilise those temporary differences and unused tax losses. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits.

Trust assets and liabilities

The Group's Online Payments segment, namely the business of Escrow.com, is a regulated entity that holds funds on behalf of its users in trust bank accounts. At 31 December 2017 the cash balance in trust amounted to A\$32,355,000 (2016: A\$26,104,000), which has a corresponding liability of the same amount owing to its users.

The Group has determined that trust cash is not a resource controlled by the Group, nor does the Group derive any economic benefit from these user funds, and therefore the Group does not have the risks and rewards of ownership of the funds. Consequently, trust assets are not recognised as an asset in the Group's financial statements, and neither is the corresponding trust liability recognised as a liability in the Group's financial statements.

(i) Changes in accounting policies

The accounting policies applied by the Group in this consolidated financial report are the same as those applied by the Group in its consolidated financial report for the year ended 31 December 2017.

(j) New Accounting Standards for application in future periods

Accounting Standards and Interpretations issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

- AASB 9: Financial Instruments and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2018).

The Standard will be applicable retrospectively (subject to the comment on hedge accounting below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes made to the Standard that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of AASB 9, the application of such accounting would be largely prospective.

The directors have assessed that the adoption of AASB 9 will not have any significant impact on the Group's financial instruments.

- AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods beginning on or after 1 January 2018).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five- step process:

- » identify the contract(s) with a customer;
- » identify the performance obligations in the contract(s);
- » determine the transaction price;
- » allocate the transaction price to the performance obligations in the contract(s); and
- » recognise revenue when (or as) the performance obligations are satisfied.

The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented as per AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors (subject to certain practical expedients in AASB 15); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements regarding revenue.

The directors have assessed that the adoption of AASB 15 will not have any significant impact on the Group's financial statements.

- AASB 16: **Leases** (applicable to annual reporting periods beginning on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard are as follows:

- » recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- » depreciation of right-to-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- » inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease

liability using the index or rate at the commencement date;

- » application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and
- » additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

Impact on Freelancer Limited

The Company have assessed that its leases for which it has commitments amounting to \$6,224,000 will go on balance sheet , impacting asset and liability balances for future lease commitments based on the current leases where the Company is a lessee.

Directors' Declaration

In the Directors' opinion:

- (a) the Financial Statements and notes of the consolidated entity set out on pages **53 to 86** are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- (b) Note 2(a) confirms that the Financial Statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board;
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (d) the Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the Corporations Act 2001 for the financial year ending 31 December 2017.

This declaration is made in accordance with a resolution of the Directors.

On behalf of the directors

Matt Barrie

Matt Barrie

Chairman

27 February 2018

Independent Auditor's Report

HALL CHADWICK (NSW)
Chartered Accountants and Business Advisers

FREELANCER LIMITED
ABN 66 141 959 042
AND CONTROLLED ENTITIES

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
FREELANCER LIMITED AND CONTROLLED ENTITIES**

SYDNEY
Level 40
2 Park Street
Sydney NSW 2000
Australia

GPO Box 3555
Sydney NSW 2001

Ph: (612) 9263 2600
Fx: (612) 9263 2800

Opinion

We have audited the accompanying financial report of Freelancer Limited (the Group), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion:

- (a) the accompanying financial report of the Consolidated Entity is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2017 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a).

Basis of Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the *Auditor's responsibility* section of our report. We are independent of the Consolidated Entity in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Independent Auditor's Report

HALL CHADWICK  (NSW)

FREELANCER LIMITED
ABN 66 141 959 042
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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FREELANCER LIMITED AND CONTROLLED ENTITIES

Key Audit Matter	Procedures
<p>Reliance on automated process and controls</p> <p>Freelancer's revenue is primarily generated from new and existing users posting and fulfilling projects and contests on the Freelancer.com website and therefore a significant part of the Group's financial reporting processes are heavily reliant on IT systems with automated processes and controls over the capturing, valuing and recording of transactions. Similarly other IT platforms of the business that includes Escrow.Com and Warrior Forum are also heavily reliant on IT systems. This is a key audit matter because of the:</p> <ul style="list-style-type: none"> • Complex IT environment supporting the Group's business processes • Mix of manual and automated controls • Multiple internal and outsource support arrangements • Large volume of low value transactions 	<p>Our procedures included, amongst others:</p> <p>We understood and tested management's controls over its systems relevant to financial reporting.</p> <p>We involved our IT specialist to conduct general IT controls tests that related to applications that support the effective functioning of application controls. This included a review of the policies and procedures, change management and access security.</p> <p>Our IT specialist performed application controls testing over the three main applications. The testing included procedures used to initiate, record, process and report transactions and other financial data, with particular focus on recognition and measurement of fee income, transactions including payment gateways and exception report testing.</p> <p>When testing controls was not considered an appropriate or efficient testing approach, alternative audit procedures were performed on the financial information.</p>
<p>Impairment of Goodwill and Intangible Assets</p> <p>Refer to Note 13 – Intangible Assets and Note 29 (h) - Critical Accounting Estimates and Judgements</p> <p>The Group has recognised intangible assets of \$26.4 million at 31 December 2017 resulting from business combinations and asset acquisitions.</p> <p>The assessment of impairment of the Group's intangible asset balances incorporated significant judgement in respect of factors such as discount rates, revenue growth and cost assumptions.</p> <p>We have focussed on this area as a key audit matter due to amounts involved being material; the inherent subjectivity associated with critical judgements being made in relation to forecast future revenue and costs; discount rates; and terminal growth rates</p>	<p>Our procedures included, amongst others:</p> <p>We evaluated management's goodwill and intangible assets impairment assessment. We obtained the Group's value in use model and agreed amounts to a combination of budgets and future plans.</p> <p>Key inputs in the value in use model included forecast revenue, costs, discount rates and terminal growth rates. We corroborated those assumptions by comparing forecasts to historical actuals.</p> <p>We involved our valuation specialists to recalculate management's discount rates based on external data where available. The valuation specialist was also involved in assessing the value in use model used for valuation methodology including treatment of the net present value calculations.</p> <p>We performed sensitivity analysis on the fee income; terminal growth rate; and discount rate inputs.</p> <p>We assessed the Group's disclosures of the quantitative and qualitative considerations in relation to the carrying value of goodwill and intangible assets, by comparing these disclosures to our understanding of this matter.</p>

Independent Auditor's Report

HALL CHADWICK  (NSW)

FREELANCER LIMITED
ABN 66 141 959 042
AND CONTROLLED ENTITIES

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
 FREELANCER LIMITED AND CONTROLLED ENTITIES**

Other Information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 December 2017, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Director's Responsibility for the Financial Report

The directors of the Group are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australia Accounting Standards and the *Corporations Act 2001* and for such internal control as directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Consolidated Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Consolidated Entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control

Independent Auditor's Report

HALL CHADWICK  (NSW)

**FREELANCER LIMITED
ABN 66 141 959 042
AND CONTROLLED ENTITIES**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
FREELANCER LIMITED AND CONTROLLED ENTITIES**

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent Auditor's Report

HALL CHADWICK  (NSW)

FREELANCER LIMITED
ABN 66 141 959 042
AND CONTROLLED ENTITIES

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
FREELANCER LIMITED AND CONTROLLED ENTITIES**

Report on the Remuneration Report

We have audited the remuneration report included in pages 48 to 51 of the directors' report for the year ended 31 December 2017.

The directors of the Group are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the remuneration report of Freelancer Limited for the year ended 31 December 2017 complies with s 300A of the *Corporations Act 2001*.

Hall Chadwick

Hall Chadwick
Level 40, 2 Park Street
Sydney NSW 2000

S. Kumar

SANDEEP KUMAR

Partner

Dated: 27 February 2018

Additional ASX Information

Shareholder information

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report. This additional information was applicable as at 22 March 2018.

Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

	Number of Shares
Robert Matthew Barrie ¹	198,479,148
Simon Clausen and Startive Holdings Limited and its related bodies ¹	165,356,504

Top 20 Shareholders as at 22 March 2018

Rank	Name	Number of ordinary shares held	% of ordinary shares held
1	MATT BARRIE	191,435,150	42.2%
2	CITICORP NOMINEES PTY LIMITED	105,111,638	23.2%
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	63,251,075	14.0%
4	MR DARREN WILLIAMS	10,605,660	2.3%
5	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	8,716,639	1.9%
6	J P MORGAN NOMINEES AUSTRALIA LIMITED	7,763,683	1.7%
7	NATIONAL NOMINEES LIMITED	6,348,530	1.4%
8	BNP PARIBAS NOMS (NZ) LTD <DRP>	4,161,253	0.9%
9	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	2,914,542	0.6%
10	MR NICHOLAS PETER DE JONG	2,106,164	0.5%
11	MR RODNEY JOHN SELICK	1,109,833	0.2%
12	MRS RIKA WESTWOOD	1,006,627	0.2%
13	INFILSEC PTY LTD <BARRIE RETIREMENT FUND A/C>	978,727	0.2%
14	MR JONATHON SEALLY	900,000	0.2%
15	MAROBAR HOLDINGS PTY LIMITED	789,500	0.2%
16	MR MICHAEL JOHN RUHFUS	694,831	0.2%
17	DUNRAY NOMINEES PTY LTD <ABS SUPERANNUATION FUND A/C>	650,000	0.1%
18	CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	612,865	0.1%
19	HAMPTON PTY LTD	600,000	0.1%
20	PLASMA EQUITIES RESEARCH PTY LTD	600,000	0.1%
Total Top 20		410,356,717	90.5%
Total remaining		42,923,382	9.5%

1. Includes a relevant interest in 5,611,617 fully paid ordinary shares by virtue of the Director having had a voting power of over 20% in the Company, which had a relevant interest as a result of trading restrictions over shares issued under the ESP.

Distribution of ordinary shareholders as at 22 March 2018

	Number of shareholders	Number of Shares
1-1,000	658	407,598
1,001-5,000	1,259	3,574,163
5,001-10,000	471	3,741,125
10,001-100,000	639	19,433,204
100,001-99,999,999,999	96	426,124,009
Totals	3,123	453,280,099

Restricted securities as at 22 March 2018

There are no restricted securities on issue for the purpose of the ASX Listing Rules.

There are ordinary shares on issue that are subject to trading restrictions pursuant to the ESP. The table below sets out the number of shares subject to trading restrictions.

Class of restricted securities	Nature of restriction	Number of Shares
Quoted ESP shares	Various dates ending no later than 1 March 2022	3,961,078
Unquoted ESP shares	Various dates ending no later than 3 November 2020	1,650,539
Total shares subjected to trading restrictions		5,611,617

Voting Rights

The voting rights attaching to ordinary shares, set out in the Company's Constitution are:

- a. at meetings of members, each member is entitled to vote in person or by proxy, attorney or representative; and
- b. on a show of hands, every person present who is a member has one vote, and on a poll every member present has a vote for each fully paid share owned.

There are no voting rights attached to unlisted options, voting rights will be attached to unlisted ordinary shares once issued and to options upon exercise.

On-market Buy Back

There is no current on-market buy back.

Corporate Directory

Company Directors

Mr Robert Matthew Barrie

Chairman and Chief Executive Officer

Mr Darren Nicholas John Williams

Non-Executive Director

Mr Simon Alvin Clausen

Non-Executive Director

Company Secretary

Mr Neil Leonard Katz

Registered Office

Level 20

680 George Street

Sydney NSW 2000

Telephone: +61 (02) 8599 2700

Share Registry

Boardroom Limited

Level 12

255 George Street

Sydney NSW 2000

External Auditors

Hall Chadwick

Level 40

2 Park Street

Sydney NSW 2000

Securities exchange listing

Freelancer Limited shares are listed on the Australian Securities Exchange (Listing code: FLN)

