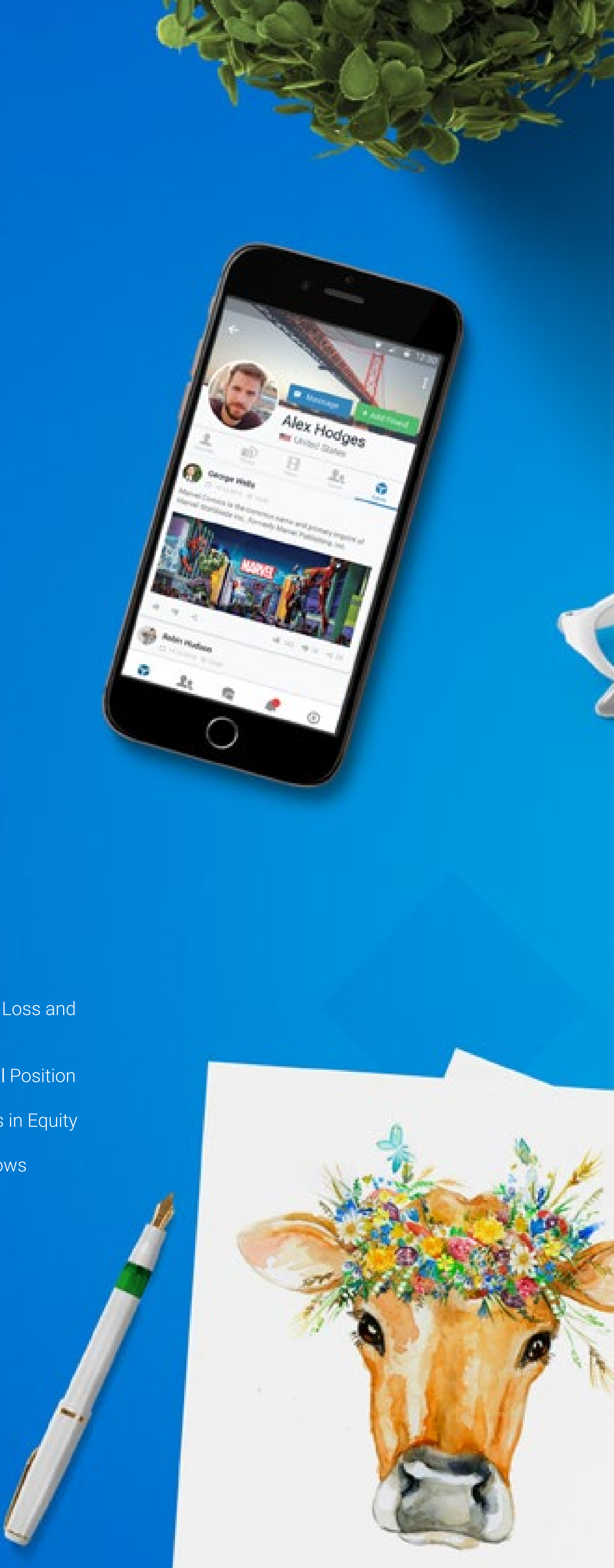
2016

Annual Report

FREELANCER LIMITED ACN 141 959 042

Index




CARIOCAS
CATERING
&
EVENTS
LEVURO
THE ULTRA EXPERIENCE
TAKING YOUR VIEWERS TO THE NEXT LEVEL
Single solution to manage, distribute & promote video content

Change Lives.

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

"Thanks to Freelancer.com, I am able to work from home, which allows me to spend quality time with my family while making money to meet household needs."

Kelvin Otieno
Graphic Designer
Nairobi, Kenya

★★★★★

4.9 / 5.0 rating, 44 reviews


freelancer.com

Chairman's Letter

In 2016, Freelancer again delivered exceptional financial results with a 37% increase in revenue on the prior year to $52.7 million. Gross Payment Volume (GPV) in 2016 was up 190% on the prior year to $666 million. As at 31 December 2016, the Company had a strong balance sheet with cash and equivalents of $34.8 million and no net debt.

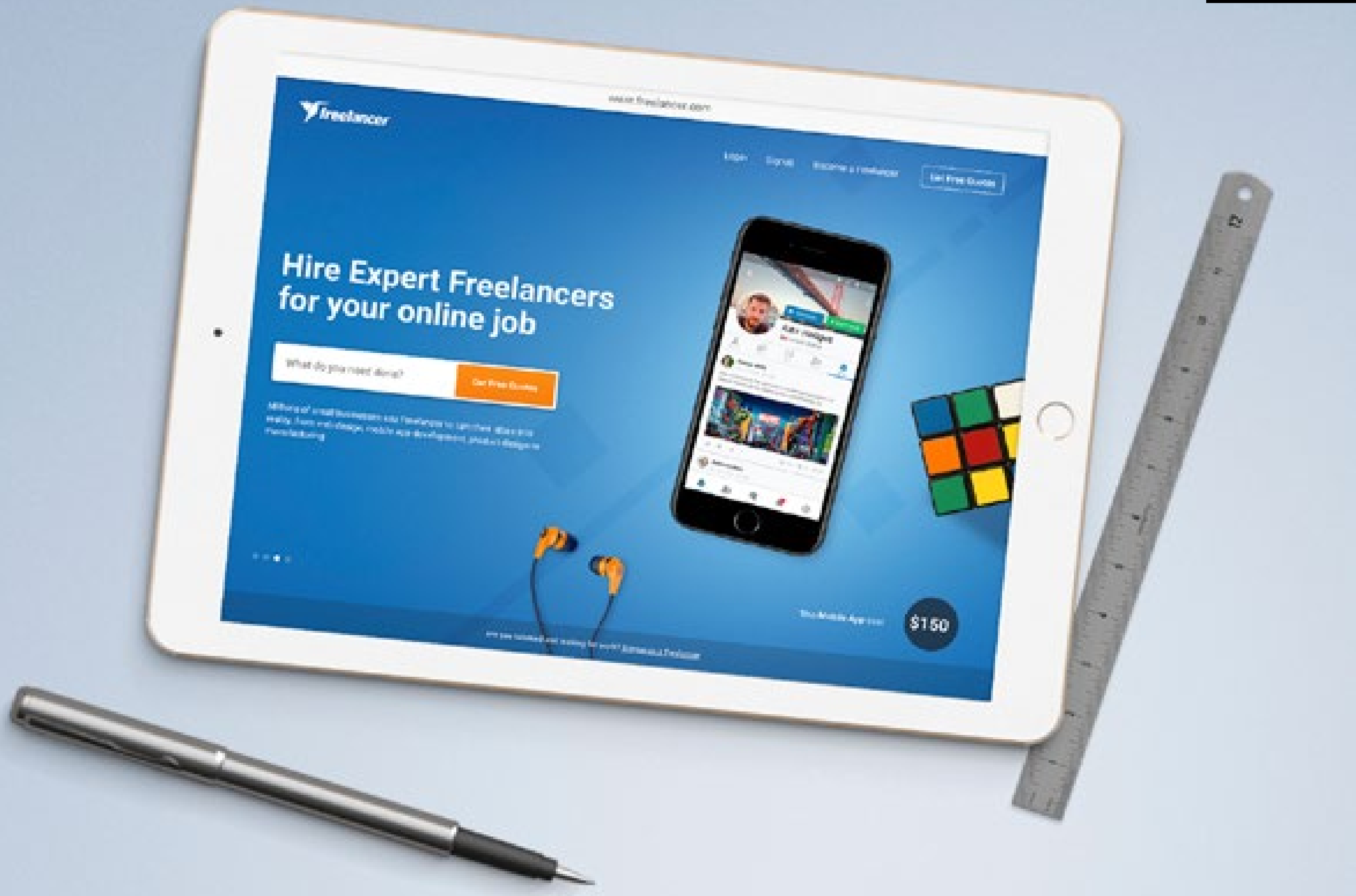
Freelancer is a high growth company and this is reflected with consistently with growth in net revenue each year (FY11 +37%, FY12 +64%, FY13 +77%, FY14 +39% and FY15 +48%, FY16 +37%). For the last six years, the company has averaged a compound annual revenue growth rate of 50%. Not many companies on the Australian Securities Exchange (or any exchange, for that matter) can say that they have achieved growth this fast.

This revenue growth over the last six years has been achieved through exceptional growth in marketplace jobs posted, increased efficiency and marketplace quality and increased sales of value added services.

Over the 2016 financial year, the Company experienced significant growth in users, projects and contests posted, bringing 4.6 million new users and 2.6 million new job listings to the platform. This further affirmed our leading global position as the world's largest freelancing and crowdsourcing marketplace with more than 23 million users.

Over 11 million jobs have been posted on the platform to date. These are projects & 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 the International Space Station, for NASA.

In 2016 our focus remained on growing volume in our core marketplace business, and continuing our international growth across countries, currencies and



languages. We added 14 new regional websites and 8 new currencies in 2016. Growth in jobs posted was substantial - up 53% compared to the prior year, and the fastest growth in jobs since IPO. Users also grew substantially, up 31% compared to the previous year.

We had strong growth in the adoption of our mobile products in 2016. Now 79% of projects touch Freelancer mobile products at some point during the project life cycle.

Freelancer Local Jobs was launched in 2015 with over 100 additional categories of location specific work, and expanding Freelancer's Total Addressable Market to several hundred billions of dollars per year of potential gross volume. This segment is small but thriving, and in 2016 liquidity metrics improved dramatically such that 60% of jobs receive a quote in less than one hour, globally.

The group's recently acquired Escrow.com payments business achieved several key milestones in the year. We 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 less than 20 seconds for support queries.

Escrow.com also built out support teams in three more locations (Vancouver, Sydney, Manila), and completed major milestones in infrastructure and engineering technical work, including migration of the technical stack away from legacy infrastructure to AWS (Amazon Web Services). Early benefits from this substantial work are already apparent, with Escrow.com improving payment processing times to the fastest ever in the company's history during 2016.

Freelancer is changing the global dynamics in the marketplace for people. This is a huge market, by some estimates a trillion dollar market. Five billion people live on $10 a day, that's five billion people for who we could potentially find a better job.

Freelancer is an amazing business to run. We change lives. We help lift people out of poverty. We help people feed their families. We help entrepreneurs build businesses. We help people build products and services that change the world.

The Board and myself personally wish to thank and acknowledge the support of all of our staff, shareholders and our 23+ million users around the world. None of this would have been possible without your hard work and encouragement.

Regards,

Matt Barrie

Matt Barrie
Chairman

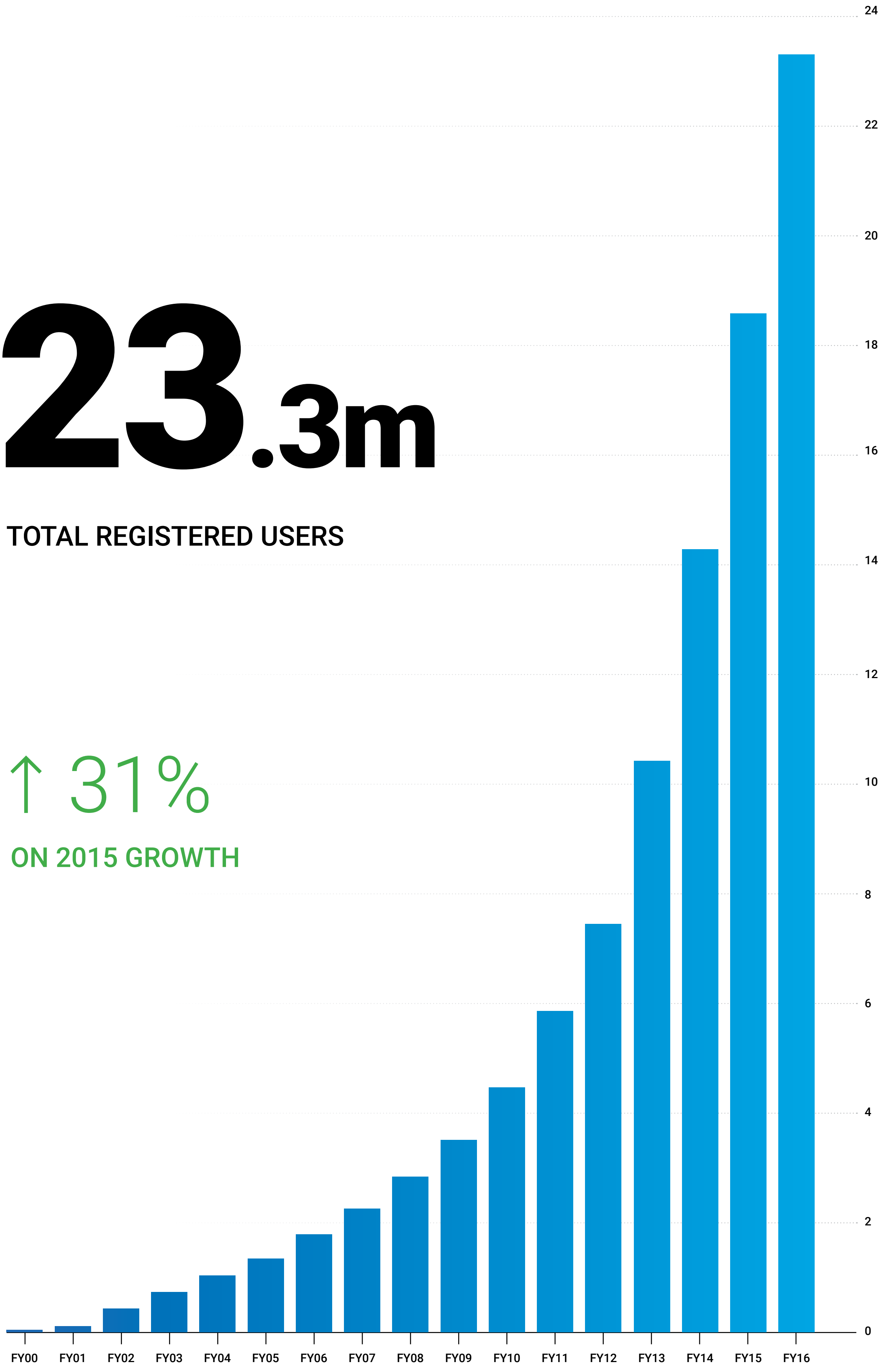
6 April 2017

23.3m

TOTAL REGISTERED USERS

↑ 31%

ON 2015 GROWTH

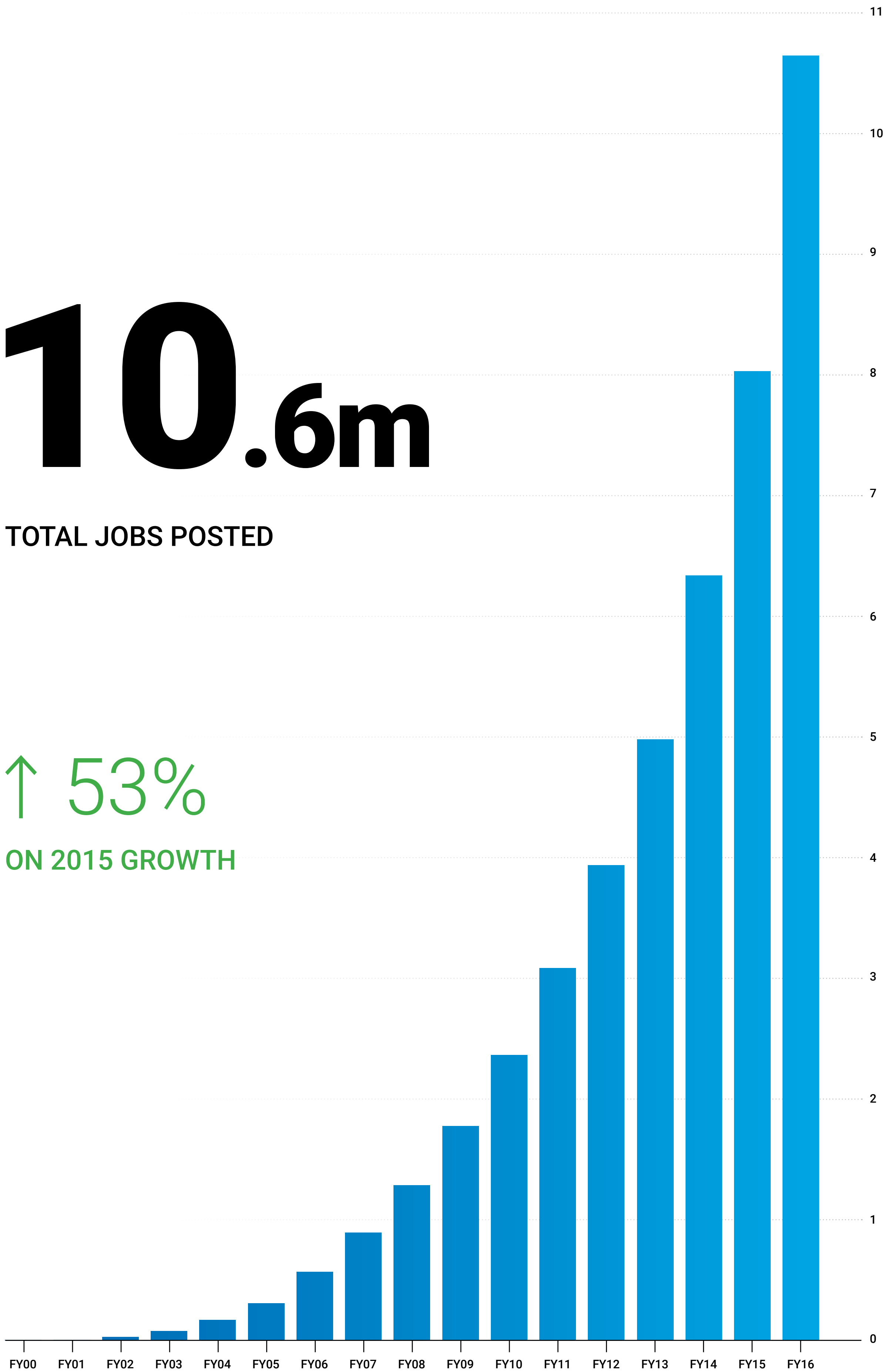


10.6m

TOTAL JOBS POSTED

↑ 53%

ON 2015 GROWTH



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.

$167
AVERAGE COMPLETED PROJECT SIZE IN USD

78%
OF JOBS RECEIVE A BID WITHIN 60 SECONDS

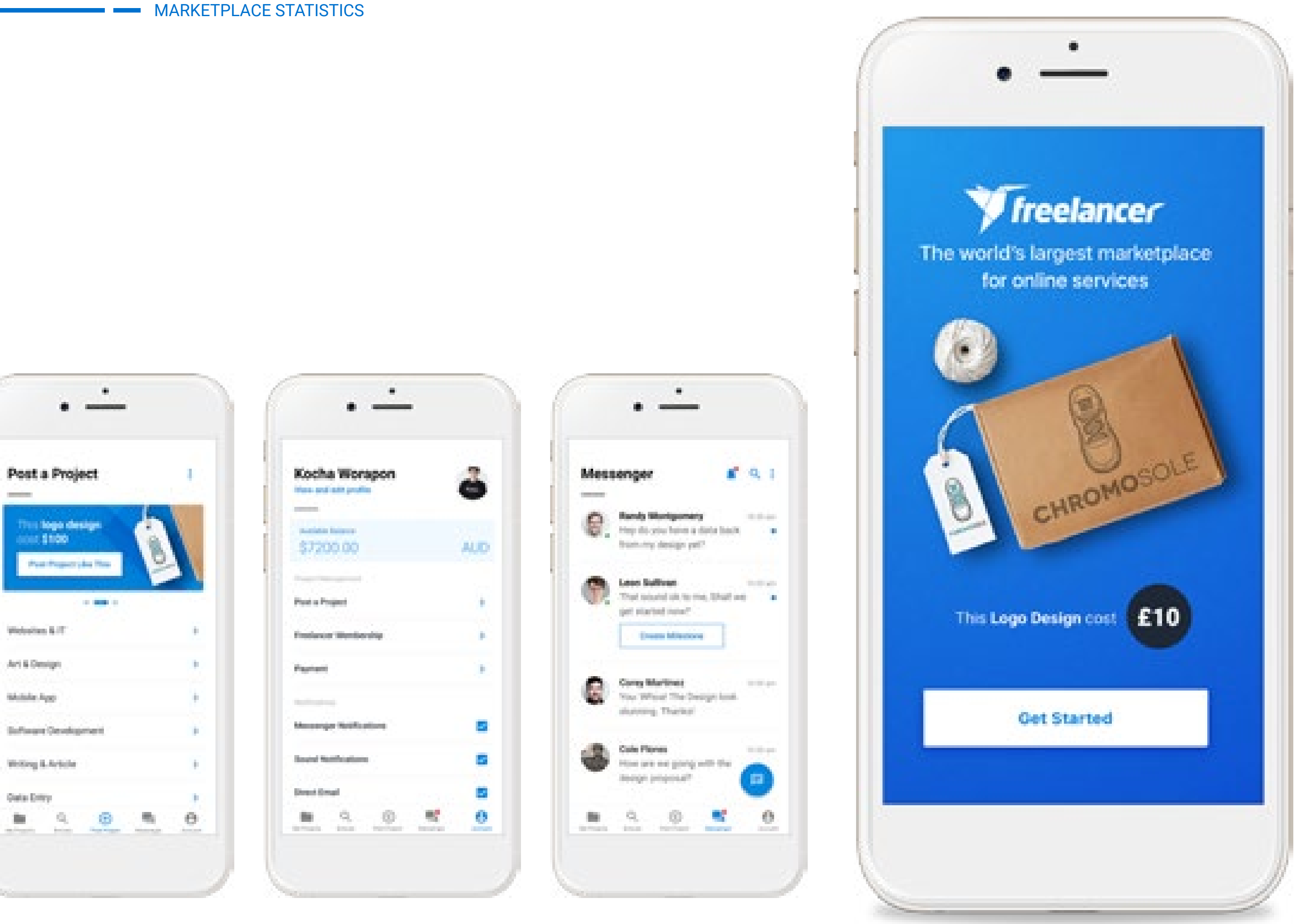
500k
MESSAGES SENT PER DAY

23.3m
TOTAL REGISTERED USERS

10.6m
TOTAL JOBS POSTED

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


FOCU



FREELANCER MOBILE

Stay in Touch, Manage Your Projects and More. It's Freelancer... Anywhere You Go.

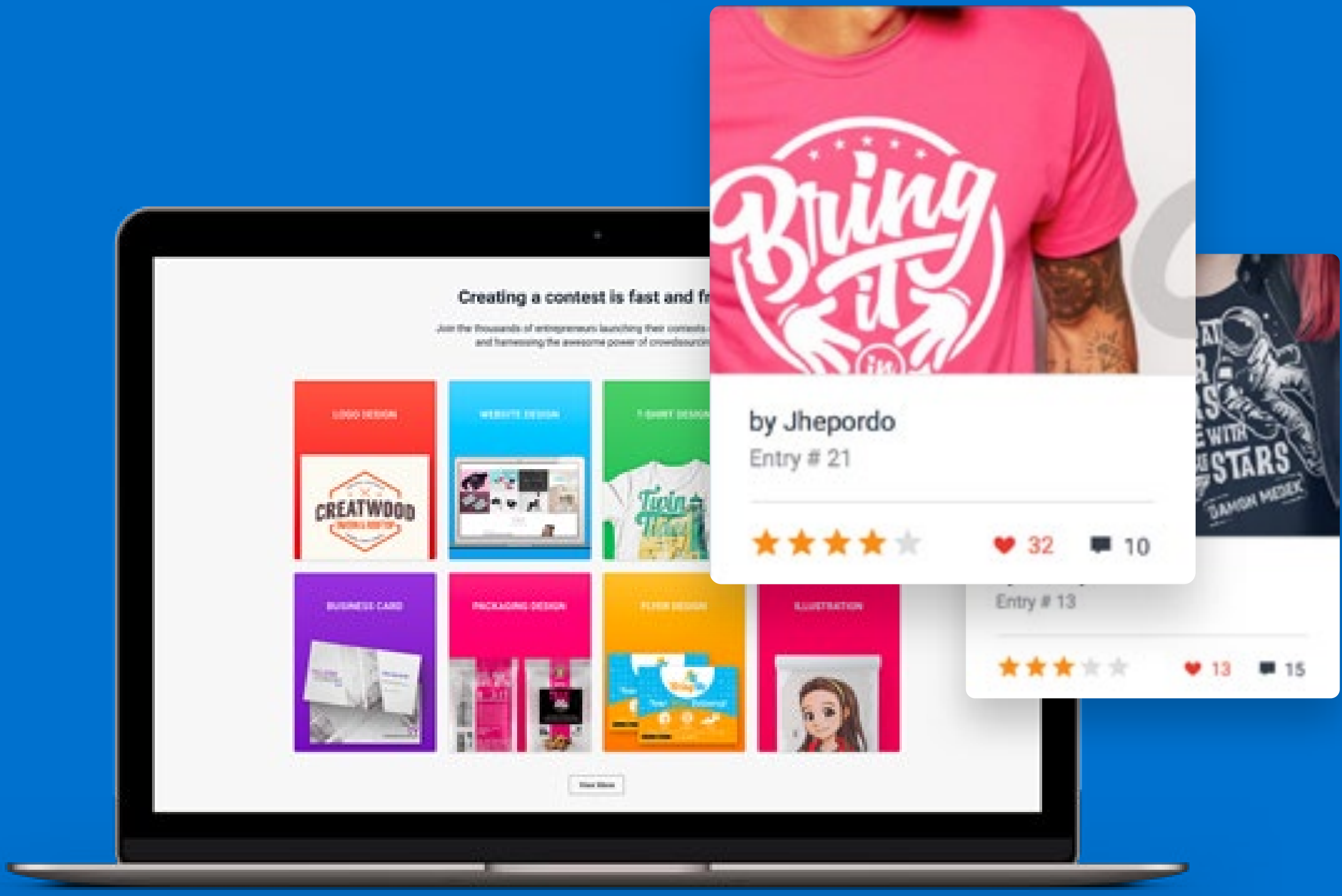
In 2016, Freelancer added payments into both the iOS and Android apps and credit card support to Mobile Web. These enhancements drove user engagement with mobile, so that now 79% of projects on Freelancer touch mobile devices. Freelancer also passed a significant milestone by hitting more than 1,000,000 app downloads.

1m

1,000,000+ DOWNLOADS OF ANDROID APP

79%

OF PROJECTS TOUCH MOBILE DEVICES



FREELANCER CONTESTS

You Bring the Idea, the Crowd Brings You a Result You Love. Guaranteed.

The contest team added instant chat within contest entries, and overhauled the user interface in terms of rating entries and giving feedback. The instant chat function enables faster turnaround time of revisions and comments on contest entries, and increases usability and satisfaction for both employers and freelancers. The team also drove increased monetisation through upsells – in particular, confidentiality agreements were added as an option.

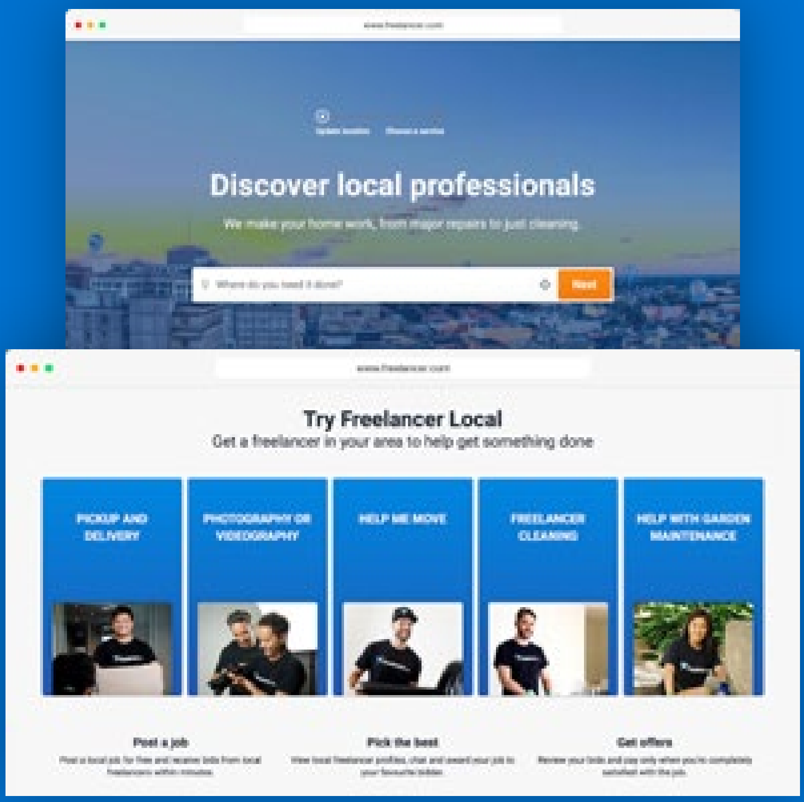
NASA completed several contests related to component, logo, and engineering design. The NASA Tournament Lab and Freelancer have teamed up to help crowdsource solutions to the most complex problems faced by astronauts on the cutting edge of space exploration. One of the latest set of challenges involved designing a robotic arm for the Astrobee, a next generation free flying robot on the International Space Station.

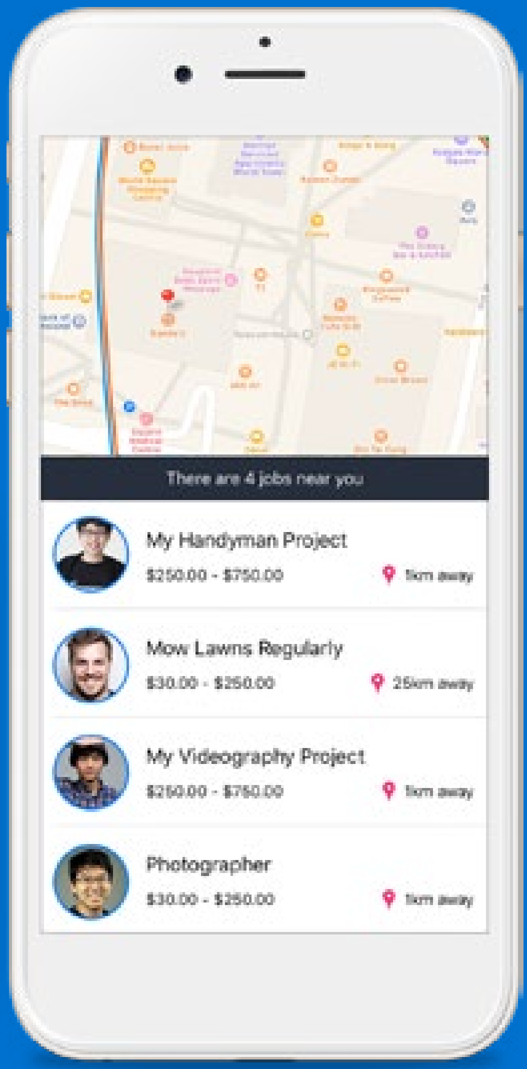
71

AVERAGE ENTRIES PER CONTEST

70%

OF CONTESTS RECIEVE ENTRIES WITHIN 2 HOURS





FREELANCER LOCAL JOBS

With the World's Largest Freelancing Site, Good Help is Just Around the Corner.

Local jobs saw exceptional performance in key metrics on a global basis in 2016. By focusing on developing marketplace liquidity, the team was able to increase the average number of bids from 2 to 7 globally. This dramatic improvement opens each local job up to genuine competition, which will deliver the best outcome for the employer at the lowest price.

The team also improved the speed of bidding, with the median time to first bid dropping to 15 minutes globally. Furthermore, 60% of local jobs now receive a bid within the first hour, which increases the utility of the platform for time-poor users.

60%

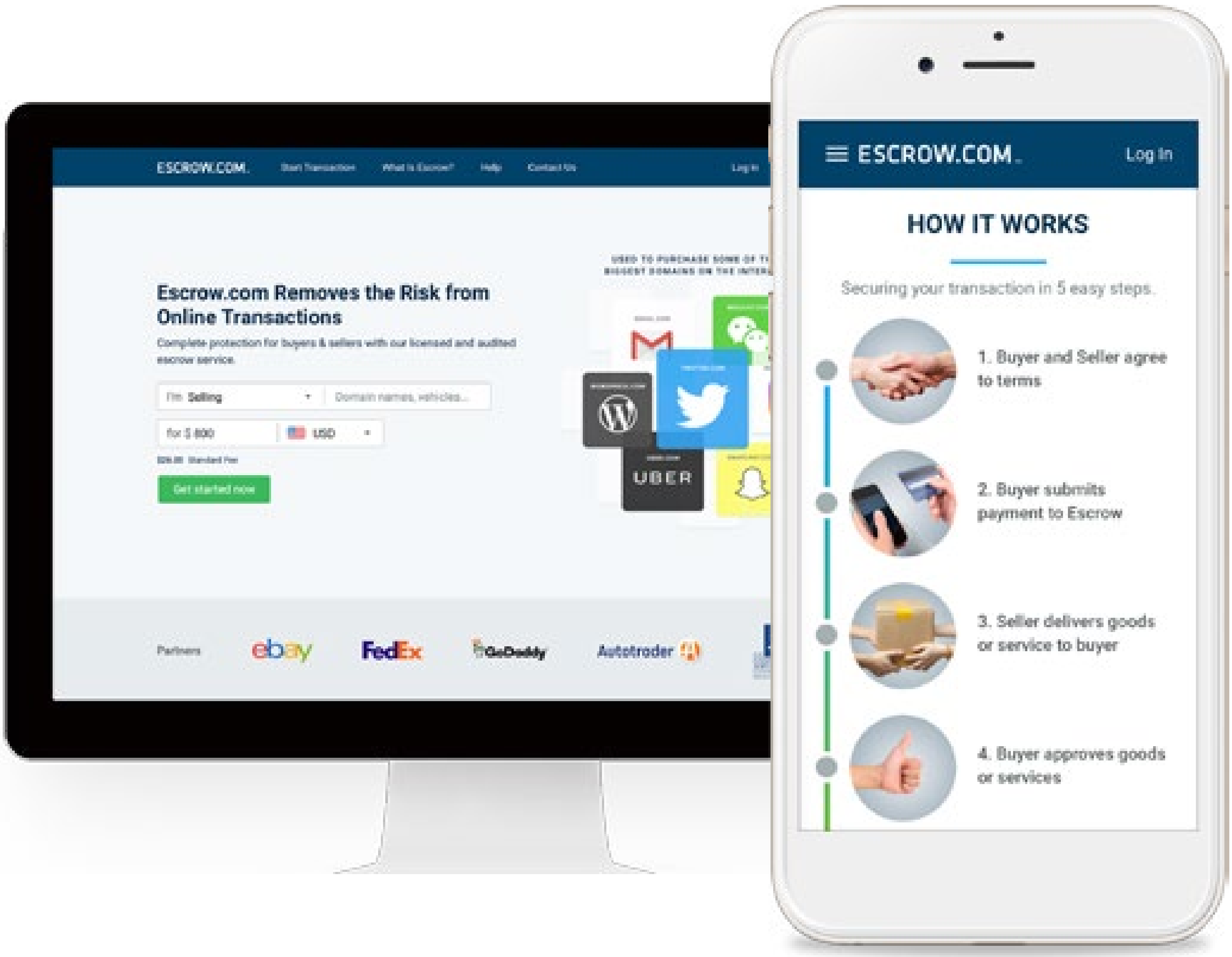
OF JOBS RECEIVE A QUOTE WITHIN ONE HOUR

15

MINUTES AVERAGE TIME TO FIRST BID

7

BIDS PER JOB AVERAGE GLOBALLY



ESCROW.COM

The Global Leader in Secure Online Payments. No Chargebacks, Guaranteed.

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. Support teams were added in three more locations (Vancouver, Sydney, Manila), and a processing support team was added in Sydney.

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 a new KYC (know your client) and enhanced AML (anti money-laundering) systems. Escrow.com built a new verification product into the platform which allows users to upload documents and have their identity verified, with the majority of applications processed in under 2 hours.

1m

1,000,000+ REGISTERED USERS

$3b

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

5

SPOKEN LANGUAGES BY OUR SUPPORT TEAM

Bill Reichert
Garage Technology Ventures

STARTCON

Australia's Biggest Startup & Growth Conference. Sold Out 6 Years in a Row.

Freelancer successfully hosted Australia's largest startup and growth conference in Sydney, which is in its seventh year. The conference, held in Q4 of 2016, saw huge increases in numbers from 2015 across all aspects of the event, including over 3000 (up 50%) attendees, 102 (up 100%) exhibitors including 52 (up 30%) startups in Startup Alley. 86 (up 30%) startups participated in the pitch competition, and 58 (up 16%) speakers across 4 stages, of which 15 (up 50%) were international.

3000
ATTENDEES

100+
EXHIBITORS

500+
STARTUPS

WARRIOR
FORUM

WARRIORFORUM.COM

The World's #1 Internet Marketing Community & Marketplace Since 1997.

Warrior continued its transformation into a modern community, with a far reaching overhaul of the look and feel of the site. This change helped to grow the community to a record size, reaching over 1.21 million users and 9.95 million posts by the end of 2016.

The year also saw the expansion of Warrior's offering with the launch of a new paid feature called The Vault. The Vault is a collection of premium articles and guides from some of the world's best marketers, growth hackers, and entrepreneurs.

1.21m

1,210,000+ REGISTERED USERS

9.95m

9,950,000+ POSTS

940k

940,000+ DISCUSSIONS

Change Lives.

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

"Coming from a third-world country and the smallest in West Africa where opportunities are very limited, Freelancer.com has helped me expand globally by helping me make a living from something that I really have a passion for, design."

Sulayman Sanyang
Video and Motion Graphic
Banjul, Gambia

★★★★★

4.9 / 5.0 rating, 16 reviews

Change Lives.

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

"Freelancer is an All-in-One dream job that sets your time, your space, your dreams and your passions free."

Yunan Yusmanto
Graphic Designer
Malang, Indonesia

★★★★★

4.9 / 5.0 rating, 3 reviews

This
architectural design cost

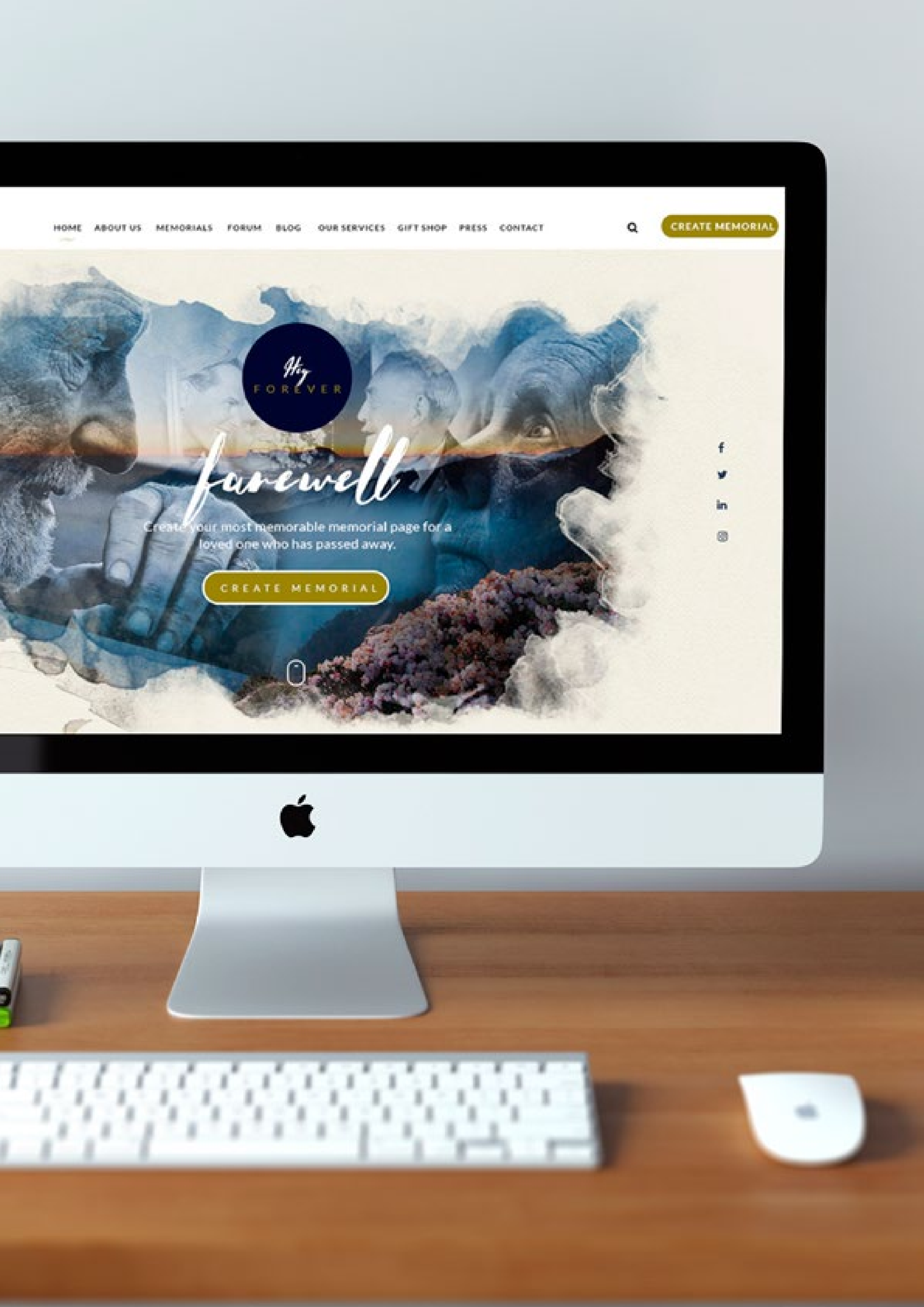
$1,613

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

This **website design** cost

$161

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


HOME
ABOUT US
MEMORIALS
FORUM
BLOG
OUR SERVICES
GIFT SHOP
PRESS
CONTACT
CREATE MEMORIAL
FOREVER
farewell
Create your most memorable memorial page for a loved one who has passed away.
CREATE MEMORIAL

freelancer

This **package design** cost

$245

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


HALTEROS
CAFEINA MEXICANA
MÉ XI CO
GRANO ENTERO
CLARO
OBSCURO
MÁXIMA CAFEÍNA
MEZCLA RX
250 gr.
HALTEROS
CAFEINA MEXICANA
MÉ XI CO
GRANO ENTERO
CLARO
OBSCURO
MÁXIMA CAFEÍNA
MEZCLA RX
250 gr.

This **logo design** cost

£10

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


CS
CHROMOSOLE

2016 Awards

2016 was a great year for Freelancer.com. We won a total of 23 awards, including 2 Webby awards and 7 golden Stevie Awards

2 Webby Awards

The Webby Award is an award for excellence on the Internet presented annually by The International Academy of Digital Arts and Sciences.

We received one Webby Award for Best Employment Website and the People's Voice Award for the same category.

Premier´s NSW Export Awards and The 54th Australian Export Awards - eCommerce Category

The Australian Export Awards had two stages, the State Award (NSW Export Awards) and the National Award (The 54th Australian Export Awards). Freelancer won both.

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.

6 Golden Stevie Awards

Honoring organizations from all around the world of all types and sizes and the people behind them, the Stevies recognize outstanding performances in the workplace worldwide.

This year Freelancer.com won a total of 19 Stevie Awards

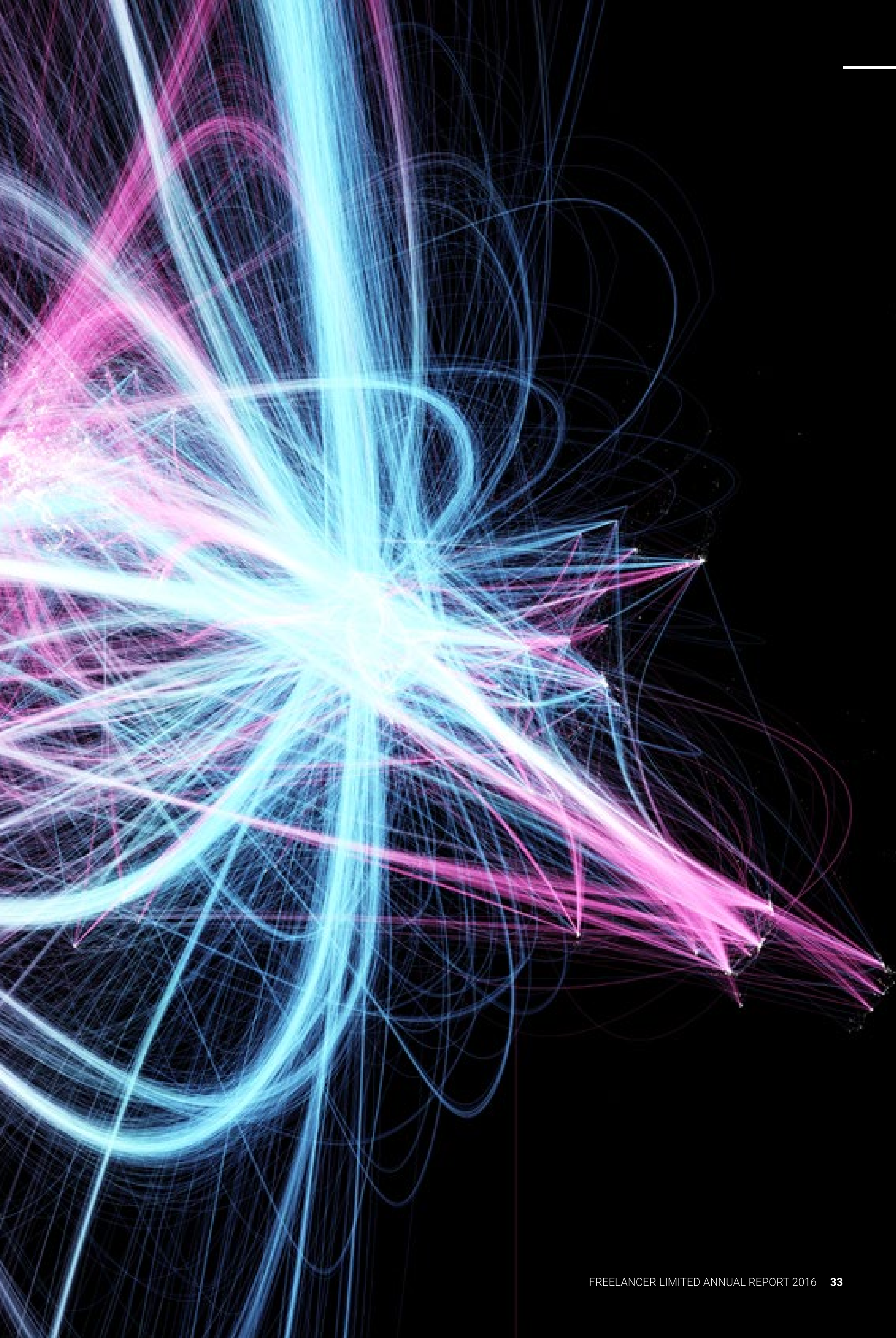
14 Stevie International Business Awards (IBA): including 2 People´s choice and 6 golden awards for (i) Best Interface Design, (ii) Communications Department of the Year, (iii) Executive of the Year - Internet/New Media, (iv) Communications, Investor Relations or PR Executive of the Year, (v) Company of the Year - Business or Professional Services – Large, and (vi) Most Innovative Company of the Year - in Asia, Australia and New Zealand.

4 Asia Pacific Stevie: are open to all organizations in the 22 nations of the Asia-Pacific region; and

1 Grand Stevie Award: Winners are determined by a points system based on the total number of awards won in the IBAs.

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 2016.



Directors' Report

Your Directors submit the financial report of Freelancer Limited (the Company) for the year ended 31 December 2016. 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.

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 201,435,285 fully paid ordinary shares, including a relevant interest in 9,471,826 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 191,963,459 fully paid ordinary shares (representing 42.0% 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.

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 11,127,165 fully paid ordinary shares (representing 2.4% 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 166,538,289 fully paid ordinary shares, including a relevant interest in 9,871,826 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 156,666,463 fully paid ordinary shares (representing 34.1% 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, improved to $1,173,000 (2015 loss: $2,805,000).

Key Performance Highlights

Year ended 31 December	FY16 $m	FY15 $m	% Change
Financial metrics:			
Gross Payment Volume[1]	666	229	190%
Net Revenue[2]	52.7	38.6	37%
Gross Profit	45.6	33.5	36%
Gross margin (%)	86.4%	86.7%	nm
Operating EBITDA[3]	0.5	(2.0)	nm
Operating EBIT[3]	(0.3)	(2.5)	nm
Operating NPAT[3]	0.1	(1.6)	nm
Operating Cash Flow	4.5	1.5	207%
Operational metrics:			
New Jobs[4] (millions)	2.6	1.7	53%
Total Jobs Posted (millions)	10.6	8.0	33%
New Registered Users (excluding Escrow, millions)	4.6	3.5	31%
Total Registered Users[5] (millions)	23.3	18.5	26%

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 FY16 GPV A$160.3 million, Payments segment GPV A$505.6 million. GPV excluding Escrow.com for FY16 was $160.3m (up 16% on prior corresponding period "pcp" of $138.2m excluding Escrow.com), Escrow contributed US$376m of GPV, A$506m.

2. Escrow.com contributed to the Company's results from 1 November 2015. Net Revenue excluding Escrow.com for FY16 was $45.2m (up 23% on pcp).

3. Excludes non-cash share based payments expense of $1,252k in FY16 and $1,164k in FY15.

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.

The Company experienced outstanding growth in its online businesses in the 12 months ended 31 December 2016 (FY16), resulting in a revenue increase of 37% year on year, 23% excluding the contribution from Escrow.com. In USD constant currency terms (the main operating currency in which 75% of revenue is generated) the group revenue grew at 36% year on year, the fastest since IPO. In FY16 the Freelancer marketplace had 71%, and Escrow 97% of revenue denominated in USD.

The Company delivered a positive operating EBITDA of $0.5 million (improved from $(2.0) million in FY15) and despite the increase in expenditure on talent, generated positive operating cash flow of $4.5 million in FY16. In the second half of FY16, significant efficiency gains were achieved in marketing, contributing to the positive result.

Marketplace Growth

The Company's revenue is primarily generated from new and existing users posting and fulfilling projects and contests in the Freelancer marketplace. In FY16, jobs posted (filtered) grew at the fastest rate since 2010, at 53% year on year.

Freelancer's registered user base (including both employers and freelancers) grew exceptionally well, increasing by 4.6 million new users in FY16, up 31% from FY15 (excluding Escrow.com). Users are acquired from a variety of sources including search engine optimisation (SEO), search engine marketing (SEM), media and public relations work, events, user referrals, competitions, traditional advertising, email marketing and business combinations.

The Company's main user acquisition focus is on attracting new employers, being those users who post projects and contests, and, therefore create demand in the online marketplace. However, the Company also seeks to ensure that there is a sufficient supply of freelancers across regional, language and skill specific segments of the marketplace in order to maximise marketplace liquidity and network effects. Growth was complemented by some small acquisitions during the year, including the Nubelo and Prolancer businesses in Latin America.

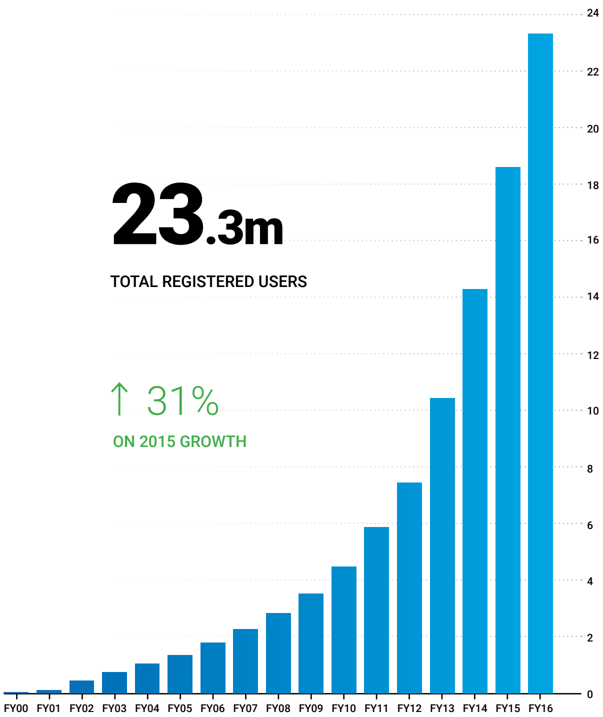
Employers accomplish work by posting projects or contests into the Freelancer marketplace, or hiring directly via the Company's freelancer directory. The total number of projects and contests posted on Freelancer.com increased by 2.6 million in FY16 (up 53% from FY15), showing significant growth in the critical element of capturing the intent to have work completed, growing at the fastest rate since 2010.

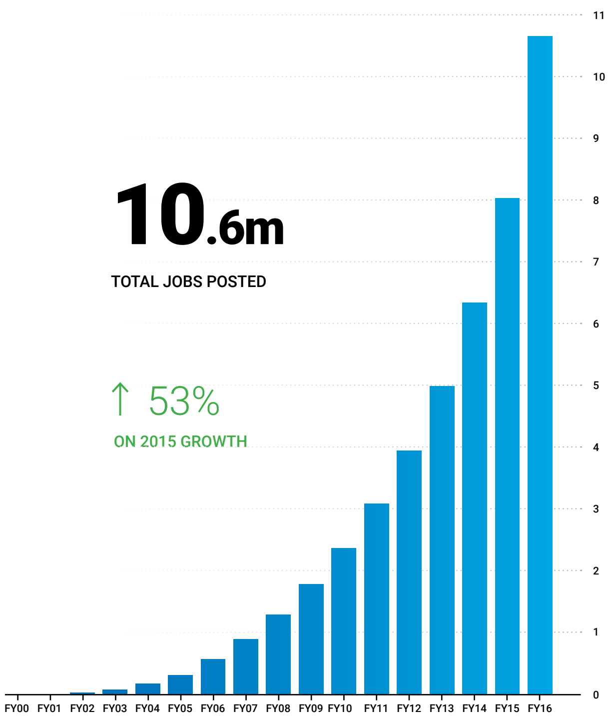
Payments Growth

In its Escrow.com business, the company generated user growth of 8.6% in 2016, with an increase in users initiating transactions of 6%. Despite the user growth in 2016, transactions paid decreased 5% which had a negative impact on revenue. Most of this drop is attributed to the high value Chinese domain name market retracting at the start of 2016, which has led to malaise in the general domain name market in the year. The Escrow team's core focus for the year was to overhaul the processes and systems to prepare the business for scalable growth as detailed below in Key Product & Operational Highlights.

Escrow.com also introduced a concierge service to help buyers and sellers of domain names transfer their assets more easily. The fee for providing this service is double the regular escrow fee. In 2016, 5% of domain transactions now use the concierge service.

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 total 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. Escrow FY16 GPV of US$376m, core Freelancer GPV of A$160.3m, average AUDUSD FX of 0.7434= A$666.2m

4. Pro-forma FY15 GPV of A$709.7m / (core Freelancer Net Revenue of A$36.8m + Escrow.com full year 2015 revenue of US$8.1m, average AUDUSD FX of 0.7522) = A$44.8m, = 6.3%

The Company achieved Net Revenue of $52.7 million in FY16 (up 37% on the previous corresponding period), and Gross Payment Volume of $666.2 million (up 190% on the previous corresponding period). Revenue excluding Escrow.com amounts to $45.2 million and a 23% growth rate on the previous corresponding period, GPV excluding Escrow.com amounts to $160.3 million and a 16% growth rate on the previous corresponding period.

Contributing factors to the growth in Net Revenue for FY16 included both overall growth in marketplace volumes, increased efficiency and quality of the marketplace and increased sales of value added services (non-commission based revenues) which have further boosted the take rate in the core business (with commissions remaining flat on a core basis at 13%).

The Company's gross margin of 86.4% in FY16 remained in line with the previous corresponding period (FY15: 86.7%). 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

Expansion of International Offices and Staffing

In line with its strategy of reinvesting for top line growth, the Company expanded its international footprint and increased its investment in talent in FY16.

In FY16 the Company grew its staff across offices in Sydney, Manila, Vancouver, San Francisco, Buenos Aires and London. During FY16 the Escrow.com office was moved from Southern California to San Francisco.

Hiring growth was focused on engineering, data science and product management teams. The support function, based in Manila, grew at a slower rate than total headcount, as this team has reached operational scale to support the Company's operations.

NPAT and EBITDA

The Company reported an operating net profit after tax of $0.1 million (FY15 Operating NPAT loss: ($1.6) million) and Operating EBITDA of $0.5 million (FY15 Operating EBITDA loss: ($2.0) million).

Reported Net Loss After Tax of $1.2 million in FY16 included a tax benefit of $0.3 million (FY15 NPAT: ($2.8) million).

Cash Flow and Balance Sheet Strength

Despite the increased investment in staff and its international expansion to increase future growth, the Company posted a positive operating cash flow of $4.5 million in FY16 (FY15: $1.5 million). This balances the Company's aim to maximise re-investment in product development and top-line growth with maintaining a secure and stable balance sheet and P&L.

As at 31 December 2016, the Company held cash and equivalents of $34.8 million, providing the Company with sufficient flexibility to pursue further growth via both organic and inorganic channels.

Key Product & Operational Highlights

In 2016, 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.

Addition of support teams in three more locations (Vancouver, Sydney, Manila). Addition of a processing support team in Sydney. Extension of support hours and new offering of multilingual support. Rollout of support quality assurance 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 a new KYC (know your client) and enhanced AML (anti money-laundering) systems. Escrow.com built a new verification product into the platform which allows users to upload documents and have their identity verified. The majority of applications submitted are processed in under 2 hours.

Escrow.com also improved payment processing times to the fastest ever in the company's history during 2016.

Contests

Instant chat was released within contest entries, and the user interface overhauled in terms of rating entries and giving feedback. The instant chat function enables faster turnaround time of revisions and comments on contest entries, and increases usability and satisfaction for both employers and freelancers.

Increased monetisation has been driven by upsells in the Contest channel – in particular, confidentiality agreements were added as an option.

NASA completed several contests related to component, logo and engineering design. The NASA Tournament Lab and Freelancer have teamed up to help crowdsource solutions to the most complex problems being faced by astronauts on the cutting edge of space exploration. The latest set of challenges involves designing a robotic arm for the Astrobee, the next generation of free flying robots on the International Space Station.

Mobile

Payments were added into the apps, and a separate Local Jobs app was released across both iOS and Android. 79% of projects now touch mobile, memberships have been fully deployed into both Android and iOS, and credit card support has been added to Mobile Web. The Android version of the mobile app has now seen more than one million downloads.

Memberships

The entire memberships system was completely overhauled and re-deployed. New top tier Professional and Premier plans were launched, designed to help Freelancers win more jobs.

Payments

Payment methods and support was added for more markets, including Chinese Yuan as a supported currency, as well as Chinese payment gateways Alipay and UnionPay, and a range of new gateways across Europe and Canada which included iDEAL (Netherlands), SOFORT Banking (Germany, Austria, Belgium), Giropay (Germany), Interac (Canada), Bancontact / Mister Cash (Belgium), and Dotpay (Poland).

A total of eight new currencies were added to bring the total to 28 supported currencies: Chinese Yuan along with Danish Krone, Vietnamese Dong, UAE Dirham, Argentine Peso, Bangladeshi Taka, Colombian Peso and Pakistani Rupee.

Also, introduced daily express withdrawals for outbound payments in two new currencies, Vietnamese Dong and the Canadian Dollar.

Local jobs

Local jobs has seen exceptional performance 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.

International

Now across 34 languages on 52 international sites (14 added in FY16), and a significant increase and focus on non-English community content.

Messaging

Has seen a 48% year-on-year increase in active threads, and launched native audio and video calls.

The messaging product adds significant liquidity to the overall website experience. Now 61% of freelancers respond to an employer's chat message within one hour, globally.

Nubelo and Prolancer acquisitions successfully completed

Freelancer.com expanded its leadership in the Latin American, Spanish and Portuguese markets by acquiring the Nubelo and Prolancer freelancing marketplaces. This acquisition places Freelancer.com as the dominant leader in the Latin American, Spanish and Portuguese markets, adding 750,000 registered users and 122,000 posted projects to the 1.8 million users and 502,000 projects in these markets already on Freelancer in these markets.

StartCon

Freelancer successfully hosted Australia's largest start-up and growth conference in Sydney, which is in its seventh year. The conference held in Q4 of 2016, saw huge increases in numbers from 2015 across all aspects of the event, including over 3000 (up 50%) attendees, 102 (up 100%) exhibitors including 52 (up 30%) start-ups in Start-up Alley, 86 (up 30%) start-ups in the pitch competition, and 58 (up 16%) speakers of which 15 (up 50%) were international.

Dividends paid or recommended

There have been no dividends paid or provided for the financial year ended 31 December 2016 (2015: 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 2016 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.

Indemnification of officers and auditors

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 not otherwise, during or since the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

The Company has previously entered into a Deed of Indemnity, Insurance and Access with each of its current Directors: R.M. Barrie, S.A. Clausen and D.N.J. Williams. The purpose of the Deed is to:

- confirm and supplement, to the extent permitted by section 199A of the Corporations Act 2001, the indemnity provided by the Company in favour of Directors under the Company's Constitution;
- include an obligation, to the extent permitted by section 199B of the Corporations Act 2001, upon the Company to maintain adequate directors' and officers' liability insurance; and
- confirm and supplement the right of access to certain documents under the Corporations Act.

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	2	2	1	1
S.A. Clausen	5	5	2	2	1	1
D.N.J. Williams	5	5	2	2	1	1

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 $47,000 (2015: $24,000).

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 47 and forms part of the Directors' Report for the year ended 31 December 2016.

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.

Remuneration Report

This audited Remuneration Report for the Group which forms part of the Directors' Report for the financial year ended 31 December 2016, 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	Super-annuation	Shares	
Non-Executive Directors	**$**	**$**	**$**	**$**	**$**	**$**
S.A. Clausen						
2016	**23,060**	**-**	**-**	**1,991**	**-**	**25,051**
2015	22,884	-	-	2,172	-	25,056
D.N.J. Williams[1]						
2016	22,884	-	-	2,174	20,047	45,105
2015	3,814	231,650	12,450	22,102	20,047	290,063
Executive Directors						
R.M. Barrie						
2016	**-**	**569,096**	**22,866**	**25,904**	**16,038**	**633,904**
2015	-	486,139	26,466	25,904	16,038	554,547
Other KMP						
N.L. Katz						
2016	**-**	**310,200**	**5,941**	**34,800**	**66,304**	**417,245**
2015	-	292,610	15,182	25,575	33,260	366,627

1. Darren Williams was an executive director until 31 October 2015.

The remuneration of key management personnel in the years ended 31 December 2016 and 2015 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
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**
2015							
Directors							
R.M. Barrie	400,000	-	-	-	400,000	183,334	216,666
D.N.J. Williams	500,000	-	-	-	500,000	229,167	270,833
Other KMP							
N.L. Katz	459,461	200,000	-	(100,000)	559,461	372,242	187,219
Total	**1,359,461**	**200,000**	**-**	**(100,000)**	**1,459,461**	**784,743**	**674,718**

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
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**
2015					
Directors					
R.M. Barrie[1]	201,414,387	-	-	(8,571,428)	192,842,959
S.A. Clausen	171,422,413	-	1,077,587	(16,428,571)	156,071,429
D.N.J. Williams[2]	12,258,165	-	-	(1,500,000)	10,758,165
Other KMP					
N.L. Katz[3]	440,000	-	-	(20,000)	420,000
Total	**385,534,965**	**-**	**1,077,587**	**(26,519,999)**	**360,092,553**

1. 1,279,500 shares as at 31 December 2015 (2014: 1,279,500) are held directly or indirectly by related parties.

2. 131,000 shares as at 31 December 2015 (2014: 131,000) are held directly or indirectly by related parties.

3. 270,000 shares as at 31 December 2015 (2014: 290,000) 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.

	2016 $000	2015 $000
Directors:		
R.M. Barrie	200	200
S.A. Clausen	-	-
D.N.J. Williams	250	250
Other KMP:		
N.L. Katz	1,012	311
Total loans to Directors and KMP	**1,462**	**761**

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	• 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	• Other Executives are employed under individual executive services agreements. These establish, amongst other things: • 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.

Additional information

The following table shows the net revenue, profits/(losses) and dividends for the last six years of the Company, as well as the share prices at the end of the respective financial years.

		2012	2013	2014	2015	2016
Revenue ($000s)		10,627	18,761	26,087	38,604	52,749
Net profit / (loss) ($000s)		728	753	(1,847)	(2,805)	(1,173)
Share price at year end ($)	n/a	n/a	$1.38	$0.65	$1.80	$1.00
Dividends paid (cps)	Nil	Nil	Nil	Nil	Nil	Nil

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
Chairman

23 February 2017

Auditor’s Independence Declaration

HALL CHADWICK (NSW)
Chartered Accountants and Business Advisers

FREELANCER LIMITED
ABN 66 141 959 042
AND CONTROLLED ENTITIES

SYDNEY

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Australia

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

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2016 there have been:

(a) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit, and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

Hall Chadwick

Hall Chadwick
Level 40, 2 Park Street

S Kumar

Sandeep Kumar
Partner
Dated: 23 February 2017

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Corporate Governance Statement

Freelancer Limited (the Company) is committed to implementing the highest possible standards of corporate governance and ensures, wherever possible, that its practices are consistent with the Third Edition of the Australian Securities Exchange (ASX) Corporate Governance Council's Principles and Recommendations.

Each of the eight principles is listed in turn. In certain circumstances, due to the size and stage of development of the Company and its operations, it may not be practicable or necessary to implement the ASX Principles in their entirety. As such, the Company has identified the areas of divergence. The Policies and Charters referred to in this Corporate Governance Statement are available on the Company's website www.freelancer.com.

Principle 1 – Lay solid foundations for management and oversight

The Board's responsibilities are encompassed in a Charter which is available on the Company's website www.freelancer.com. The Board is responsible for, and has the authority to determine, all matters relating to the strategic direction, policies, practices, establishing goals for management and the operation of the Company. Without intending to limit this general role of the Board, the specific functions and responsibilities of the Board include:

1. oversight of the Company, including its control and accountability systems;
2. appointing and removing the Chief Executive Officer;
3. appointing and removing the Company Secretary;
4. appointing and removing the Chair;
5. Board and executive management development and succession planning;
6. input into and final approval of corporate strategy;
7. input into and final approval of the annual operating budget (including the capital management budget);
8. approving and monitoring the progress of major capital expenditure, capital management and acquisitions/divestitures;
9. monitoring compliance with all relevant legal, tax and regulatory obligations;
10. reviewing and monitoring systems of risk management and internal compliance and controls;
11. codes of conduct, continuous disclosure, legal compliance, and other significant corporate policies;
12. at least annually, reviewing the effectiveness of the Company's implementation of its risk management system and internal control framework;
13. monitoring executive management's performance and implementation of strategy and policies, including assessing whether appropriate resources are available;
14. approving and monitoring financial and other reporting to the market, shareholders, employees and other stakeholders; and
15. appointment, reappointment or replacement of the external auditor.

Key responsibilities of the Board include the overseeing of the strategic direction of the Company, determining its policies and objectives and monitoring executive management performance.

Other matters are within the responsibility of management. The management function is conducted by, or under the supervision of, the Chief Executive Officer as directed by the Board (and by officers to whom the management function is properly delegated by the Chief Executive Officer). Management must supply the Board with information in a form, timeframe and quality that will enable the Board to discharge its duties effectively. Directors are entitled to request additional information at any time they consider it appropriate.

To assist in carrying out its responsibilities, the Board has established the following committees of its members. They are:

1. Audit Committee; and
2. Nomination and Remuneration Committee.

The Chief Executive Officer and Senior Executive management have service contracts and position descriptions, setting out their duties, responsibilities, and conditions of service and termination entitlements. Any new Directors appointed will receive formal letters of appointment setting out the key terms, conditions and expectations of their appointment. In addition, the Nomination and Remuneration Committee will engage external consultants where necessary to perform appropriate background checks on candidates for appointment as a director.

The Chief Executive Officer and Senior Executive management are subject to a formal performance review process on an annual basis. The Nomination and Remuneration Committee reviews the performance of the Chief Executive Officer and Senior Executive management against clear performance objectives. A performance review was undertaken in 2016.

The Company Secretary of the Company plays an important role in supporting the effectiveness of the Board and its Committees. The role of the Company Secretary includes:

1. advising the Board and its Committees on governance maters;
2. monitoring that Board and Committee Policy and Procedures are followed;
3. coordinating the timely completion and despatch of Board and Committee papers
4. ensuring that the business at Board and Committee meetings is accurately captured in the minutes; and
5. helping to organise and facilitate the induction and professional development of directors.

Each director is able to communicate directly with the Company Secretary and vice versa. The decision to appoint or remove a Company Secretary is made or approved by the Board.

Diversity Policy

In accordance with the ASX Recommendations on diversity, the Board established a Diversity Policy in 2013 which includes:

1. the establishment of measurable objectives for achieving diversity; and

2. a requirement for the Board to assess annually both these objectives and the progress in achieving them.

The Policy is available on the Company's website www.freelancer.com and the assessments will be reported in future Annual Reports.

The Company understands that encouraging diversity in our organisation is not just a socially responsible necessity, but that it is essential to our continued growth and vital to a successful future.

Given the size and nature of the current Board, the business and the industry in which we operate and therefore compete for talent, we have determined not to establish measurable objectives for achieving diversity for the 2016 financial year. We assess the need at least annually for measurable objectives. Once measurable objectives are established, the internal diversity team will oversee the implementation of any new initiatives and regularly review existing initiatives to ensure and promote diversity.

As at 31 December 2016, the proportion of women employed by the Company was as follows:

- Board of Directors: 0%
- Senior Executive positions: 0%
- Total Company workforce: 38%

Workplace Gender Equality

The Workplace Gender Equality Act 2012 (WGE Act) puts a focus on promoting and improving gender equality and outcomes for both women and men in the workplace. All non-public sector employers with 100 or more employees are required to report annually under the WGE Act.

A copy of the Company's 2016 report to the Workplace Gender Equality Agency is available on the Company's website, (https://www.freelancer.com/investor) .

Principle 2 – Structure the Board to add value

The Board has established a Nomination and Remuneration Committee which is responsible for:

1. assisting the Board with establishing a board of effective composition, size, diversity and commitment to adequately discharge its responsibilities and duties, and assist the Board with discharging its responsibilities to shareholders and other stakeholders to seek to ensure that the Company has policies to evaluate the performance of the Board, individual Directors and executives on (at least) an annual basis;
2. ensuring that the Company's remuneration policies, practices and structures are coherent, equitable and aligned with the long-term interests of the Company and its shareholders, having regard to relevant policies in attracting and retaining skilled executives that are challenging and will create value for shareholders;
3. the review and monitoring of the Group's remuneration and incentive framework applying to Non-Executive Directors, Executive Directors and Senior Executives and the associated strategies, systems, policies and processes implemented, and reported on, by management;
4. ensuring that the Group fairly and responsibly remunerates Directors and executives, having regard to the performance of the Company, the performance of the executives and the general remuneration environment;
5. ensuring that the Group has policies and procedures to attract, motivate and retain appropriately skilled and diverse persons to meet the Group's needs;
6. approving the remuneration and incentive awards of Senior Executives based on the recommendations of the Chief Executive Officer;
7. approval of pools of annual grants of equity and any other individual equity offers to Senior Executives and other Executives; and
8. identify suitable candidates to complement the existing Board and to make recommendations to the Board on their appointment.

Where a candidate is recommended by the Nomination and Remuneration Committee, the Board will assess that candidate against a range of criteria including background, experience, professional qualifications, personal qualities and cultural fit with the Board and the Company, as well as the potential for the candidate's skills to augment the skills of the existing Board. If these criteria are met and the Board appoints the candidate as a director, that director must have their appointment confirmed at the next Annual General Meeting. Before appointing a director, the Company undertakes comprehensive checks including employment, character reference, criminal record, experience, education and bankruptcy history.

The Committee's functions are to review and make recommendations to the Board on:

1. the review and monitoring and recommendation of changes to the remuneration and incentive framework (including the equity plan framework and any diversity considerations) for Non-Executive Directors, Executive Directors and Senior Executives;
2. the remuneration of Non-Executive Directors;
3. the fixed remuneration levels and incentive awards for the Chief Executive Officer and any other Executive Directors; and
4. performance based measures (financial and non-financial), targets and performance outcomes under incentive plans for the Executive Directors and Senior Executives.
5. whether the directors as a group have the skills, knowledge and familiarity with the Company and its operating environment required to fulfil their role on the Board and on Board Committees effectively and, where any gaps are identified, consider what training or development could be undertaken to fill those gaps.

The Company provides resources to help develop and maintain its directors' skills and knowledge. This includes, in the case of a director who does not have specialist accounting skills or knowledge, ensuring that he or she has a sufficient understanding of accounting matters to fulfil his or her responsibilities in relation to the entity's financial statements. It also includes, for all directors, ensuring that they receive ongoing briefings on developments in accounting standards.

The Board reviews its performance and composition on an annual basis to ensure that it has the appropriate mix of expertise and experience. The Board also reviews the performance and composition of its committees on an annual basis.

The Nomination and Remuneration Committee meets as frequently as required and at least once a year. The quorum for such meetings is two members. Details of the Committee members' attendance at Committee meetings are set out in the Directors' Report.

The Board determines the Board's size and composition, subject to limits imposed by the Company's Constitution. The Constitution provides for a minimum of three Directors and a maximum of ten. At this time the Board comprises of three Directors, one of whom is an executive director and two of whom who are non-executive directors and all are not independent directors, including the Chairman.

A Director is deemed to be independent if he or she is a Non-Executive Director and:

1. is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
2. has not been employed in an executive capacity in the Company in the last three years, or has not been a director after ceasing to hold such employment;
3. within the last three years has not been a partner or a senior management executive with audit responsibilities of a firm which has acted in the capacity of statutory auditor of the Company;
4. has not acted as a material consultant, or an employee materially associated with the service provided, to the Company in the last three years;
5. is not a material supplier or customer of the Company, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
6. has no material contractual relationship with the Company other than as a Director; and
7. is free from any interest or business or other relationship which could materially interfere with his or her ability to act in the best interests of the Company and independently of management.

The test of independence for Directors is set out in detail under section 8 of the Board Charter, which is available on the Company's website www.freelancer.com. Materiality thresholds referred to above are assessed on a case-by-case basis.

The Board does not consist of a majority of independent Directors and the Chairman is not an Independent Director. The Board acknowledges the ASX Recommendation that a majority of the Board should be Independent Directors and that the Chairman should be an Independent Director. The Board believes that the Directors are able, and do make, quality and independent judgement in the best interests of the Company on all relevant issues before the Board. The Board considers that the Company is not currently of a size, nor are its affairs of such complexity, to justify the expense of the appointment of a majority of independent Directors. The Board also believes that each of the Directors brings objective and independent judgement to the Board's deliberations and that each of the Directors makes invaluable contributions to the Company through their deep understanding of the Company's business.

The Board aims to attract and maintain a Board which has an appropriate mix of skills, experience, expertise and diversity. For the names and particulars of the Directors of the Company during or since the end of the financial year, refer to the Directors' Report.

In order to facilitate independent judgement in decision making, each Director may seek independent professional advice at the Company's expense. If advice is sought by the Chairman, he must obtain Board approval if the fees for such advice exceed $50,000 (exclusive of GST), such approval is not to be unreasonably withheld. Where advice is sought by the other Directors, prior written approval by the Chairman is required but approval will not be unreasonably withheld. If the Chairman refuses to give approval, the matter must be referred to the Board. All Directors are made aware of the professional advice sought and obtained.

Matt Barrie exercises both the role of Chairman and Chief Executive Officer of the Company. The Board acknowledges the ASX Recommendation that these roles should not be exercised by the same individual. The Board believes that Matt Barrie is the most appropriate person to lead the Board as Executive Chairman and that he is able to and does bring quality and independent judgement to all relevant issues falling within the scope of the role of Chairman and that the Company as a whole benefits from his long standing experience of its operations and business relationships.

The Nomination and Remuneration Committee of the Board comprises of an Executive Director and two Non-Executive Directors, Messrs. R.M. Barrie, D.N.J. Williams and S.A. Clausen. None of the committee members are independent. Mr Clausen, who is a Non-Executive Director, is the Committee Chairman. The Committee Charter which is available on the Company's website www.freelancer.com, details the process and timing for re-election of directors. The Board's policy for nomination and appointment of Directors also forms part of the Charter.

The Company Constitution states that at each Annual General Meeting (AGM) one-third of the Directors for the time being, or if their number is not three or a multiple of three, then the nearest number greater than one-third, shall retire from office. A retiring Director shall be eligible for re-election. No Director (other than a Director who is the Chief Executive Officer) may hold office without re-election past the third annual general meeting following their appointment or three years, whichever is longer or, in the case of a Director appointed by the Directors as an additional Director or to fill a casual vacancy, past the next annual general meeting of the Company. Any Director appointed by the Board since the last AGM must stand for election at the next AGM.

Subject to normal privacy requirements, each Director has the right of access to all of the Company's records, information and Senior Executives. They receive regular detailed reports on financial and operational aspects of the Company's business and may request elaboration or explanation of these reports at any time. Directors and Executives are encouraged to broaden their knowledge of the Company's business and to keep abreast of developments in business more generally by attendance at relevant courses, seminars, conferences, etc. The Company meets expenses involved in such activities.

Principle 3 – Act Ethically and Responsibly

The Board recognises the need to observe high standards of corporate practice and business conduct. Accordingly, the Board of Directors has adopted a formal Code of Conduct to be followed by all personnel and officers. The Code of Conduct also sets out the Company's policies on various matters including ethical conduct, business conduct, compliance, privacy, security of information, bribery and corruption, and conflicts of interest.

The Code of Conduct is to be followed by all Directors, officers, employees, consultants of the Company and any entity related to or owned by the Company, and any other person when they represent the Company or any entity related to or owned by the Company. A copy of the Code is made available to Directors, officers, employees, consultants and relevant personnel and is available on our website, www.freelancer.com.

The Board has also implemented a range of procedures designed to oversee that the Company complies with the law and achieves high ethical standards in identifying and resolving or managing conflicts of interest.

As a part of active promotion of high standards of corporate practice and business conduct, behaviour that does not comply with the Code is encouraged to be reported. Protection is afforded to those who report violations in good faith.

The Company's Securities Trading Policy generally allows all Key Management Personnel and other employees of the Company or a related body corporate of the Company, consultants and advisers, and any other person designated by the Board to deal in the Company's securities other than:

1. during a Blackout Period (the period from the close of trading on the ASX at the end of each half year and full year until the close of trading on the day of the announcement to the ASX of the half year or full year results, or any other period that the Board specifies from time to time); or
2. while in possession of inside information concerning the Company (whether or not it is a Blackout Period) either:
    - buy or sell the Company's securities at any time;
    - procure another person to deal in the Company's securities in any way; or
    - directly or indirectly, communicate the information, or cause the information to be communicated, to another person if the person knows, or ought reasonably to know, that the other person would, or would be likely to:
        - deal in the Company's securities in any way;
        - procure a third person to deal in the Company's securities in any way; or
        - pass that information onto another person.
        - All Key Management Personnel and other employees are prohibited from dealing in the securities of outside companies about which they acquire inside information through their position with the Company (whether or not it is a Blackout Period).

Principle 4 – Safeguard integrity in corporate reporting

The Board has established an Audit Committee comprising one Executive Director and two Non-Executive Directors, with appropriate experience.

Each Committee Member must be financially literate, have familiarity with financial management and an understanding of the industry in which the Company operates. At least one Committee Member should have financial expertise (that is, be a qualified accountant or other financial professional with financial and accounting experience).

Currently, the Committee comprises of Mr R.M. Barrie, Mr D.N.J. Williams (Chairman) and Mr S.A. Clausen. The members of the Committee are not independent Directors. The Chairman of the Committee is not Chairman of the Board.

The Board acknowledges the ASX Recommendations that the Audit Committee should consist only of non-executive Directors, have a majority of independent Directors and be chaired by an independent chair.

Due to the structure of the Board, the Company is not currently able to comply with this Recommendation. However, the Board believes that the experience and industry knowledge of the members of the Audit Committee will ensure objective and independent judgement in carrying out their responsibilities on this Committee. The Board will review the composition of the Audit Committee at an appropriate time in the future.

Appropriate management and representatives of the external auditor are to attend Committee meetings, at the invitation of the Committee Chairman, to provide reports and periodic presentations to the Committee.

The external auditors have a direct line of communication at any time to either the Chairman of the Audit Committee or the Chairman of the Board.

The Audit Committee is responsible for:

1. overseeing the process of financial reporting, internal control, continuous disclosure, financial and non-financial risk management and compliance and external audit;
2. encouraging effective relationships with, and communication between, the Board, Management and the Company's external auditor;
3. evaluating the adequacy of processes and controls established to identify and manage areas of potential financial risk and to seek to safeguard the assets of the Company;
4. overseeing that all proper remedial action is undertaken to redress areas of weakness;
5. overseeing the Group's compliance with prescribed policies;
6. reporting to the Board on any of the above responsibilities and functions;
7. recommending to the Board the appointment, reappointment

or replacement of the external auditor;

8. approving rotation of partners of the external auditor;
9. reviewing and approving the audit plans and engagement letters of the external auditor, including payment of annual fees and variations to approved fees;
10. reviewing the overall scope of the external audit, including identified risk areas and any additional agreed-upon procedures;
11. considering the overall effectiveness and independence of the external auditor; and
12. resolving any disagreements between management and the external auditor regarding financial reporting.

The Committee has a formal Charter which is available on the Company's website, www.freelancer.com. The Committee meets as frequently as required and will meet at least twice a year. The quorum for such meetings is two members.

Details of the Committee members' attendance at Committee meetings are set out in the Directors' Report. The minutes of each Committee meeting are reviewed at the subsequent Board meeting and signed as an accurate record of proceedings. At the subsequent Board meeting, the Chairman of the Committee reports on the Committee's conclusions and recommendations. The Directors' Declarations are set out in the Directors' Declaration section approving the Company's financial statements for the financial period of 2016, received from the CEO and CFO.

The Company also requests the external auditor attend the Annual General Meeting and be available to answer shareholder questions about the audit and the preparation and content of the audit reports.

Principle 5 – Make timely and balanced disclosure

The Company has established a Continuous Disclosure Policy which applies to and is to be followed by all directors, officers, employees, consultants of the Company and any entity related to or owned by the Company, and any other person when they represent the Company or any entity related to or owned by the Company.

The Policy outlines the Company's commitment to complying with the continuous disclosure obligations contained in the ASX Listing Rules (Listing Rules) and the Corporations Act 2001 (Cth) (the Act).

The Policy is designed to provide a practical guide to the Company and its directors, officers, employees and consultants with practical guidance on the continuous disclosure obligations and to assess whether any particular information or event is required to be disclosed to the ASX.

The Board recognizes the need to ensure that the management and dissemination of accurate market sensitive information is made in accordance with the requirements of the Listing Rules and the Act so that all shareholders and market participants have an equal opportunity to participate in a fair, orderly and transparent market in the securities of the Company.

Type of information that needs to be disclosed

The Company must immediately notify the ASX of any information that a reasonable person would expect to have a material effect on the price of value of the Company's securities, unless that information is within the exceptions to the disclosure requirement as set out in the Listing Rules and the Act as set out above. Examples of such information include a change in financial forecasts, revenue, significant changes in asset values or significant transactions. All information disclosed to the ASX is provided to Directors as soon as possible after the ASX has confirmed receipt of same.

ASX Communications Officer

The Board has appointed the Company Secretary as the principle officer for communicating with the ASX in relation to all Listing Rule matters, overseeing the disclosure of information to the ASX and coordinating the review process for deciding whether any information or event is required to be disclosed monitoring the disclosure practices of the Company.

Principle 6 – Respect the rights of security holders

The Board's aim is to ensure that Shareholders are provided with sufficient information to assess the performance of the Company and that they are informed of all major developments affecting the state of affairs of the Company relevant to Shareholders in accordance with all applicable laws. Information will be communicated to Shareholders through the lodgement of all relevant financial and other information with ASX and publishing information on the Company's website, www.freelancer.com.

In particular, the Company's website will contain information about it, including media releases, key policies and the terms of reference of its Board committees. A link to all relevant announcements made to the market and any other relevant information will be available on the Company's website as soon as they have been released to the ASX.

The Company also communicates with shareholders through the:

1. Annual Reports and Financial Statements which are available to all shareholders;
2. invitation to the annual general meeting and all accompanying papers;
3. Company's website, www.freelancer.com;
4. reports to the ASX and the press;
5. half year and full year profit announcements; and
6. information and presentations to analysts (which are released to the ASX).

Shareholders may send communications to the Company and its share registry provider electronically. The relevant contact details are under "Shareholder Information" in the Investor section of the Company's website.

Shareholders who do not currently receive electronic communications from Boardroom may update their communication preferences via a secure, online service offered by the Company's share registry provider.

The Annual General Meeting also provides an important opportunity for shareholders to express their views and respond to initiatives being proposed by the Board.

In accordance with Principle 6 of the ASX Principles, the Company has established a Communications Policy, incorporating matters disclosed above. The Policy is available on the Company's website, www.freelancer.com.

Principle 7 – Recognise and manage risk

Risk oversight and management policies

The identification and proper management of the Company's risks are an important priority of the Board. The Company has adopted a Risk Management Policy appropriate for its business. The Policy highlights the risks relevant to the Company's operations and the Company's commitment to designing and implementing systems and methods appropriate to minimise and control its risks. The Board is responsible for overseeing and approving risk management strategy and policies.

The Board acknowledges the ASX recommendation that the Company should have a Risk Committee. Due to the size and scale of operations of the Company, a Risk Committee is not established and the Board oversees the risk management framework. Management is responsible for identifying major risk areas and monitoring risk management to provide assurance that major business risks are identified, consistently assessed and appropriately addressed and must report on these matters to the Board.

The Company will regularly undertake reviews of its risk management procedures to ensure that it complies with its legal obligations, including assisting the Chief Executive Officer and Chief Financial Officer to provide the required declarations under section 295A of the Corporations Act. The Company has in place a system whereby management is required to report as to its adherence to policies and guidelines approved by the Board for the management of risks.

The key aspects of this Risk Management Policy are:

1. Establishing the context;
2. Risk identification;
3. Risk analysis;
4. Risk evaluation;
5. Risk treatment;
6. Communication & consultation; and
7. Monitoring and review.

As required by the ASX Principles, Executive management has reported to the Board on the effectiveness of the management of its material business risks. The ultimate responsibility for risk oversight and management rests with the Board.

Due to the size and scale of operations of the Company, there is no separate internal audit function.

The Company monitors its exposure to risks to the business including economic, social, governance, and environmental sustainability risks. Material business risks are described in the Company FY2016 Annual Report, which also outlines the Company's key business activities and performance during the year, as well as its key strategies.

Principle 8 – Remunerate fairly and responsibly

The Board has established a Nomination and Remuneration Committee to consider and report on, among other matters, remuneration policies and packages applicable to Board members and to Senior Executives of the Company.

Currently, the Committee comprises of Mr R.M. Barrie, Mr D.N.J. Williams and Mr S.A. Clausen (Chairman). The members of the Committee are not independent Directors. The Chairman of the Committee is not Chairman of the Board.

The objectives of the Company's Nomination and Remuneration Committee (Committee) are to assist the Board in fulfilling its corporate governance responsibilities in relation to:

1. remuneration matters, including:
   - the remuneration framework for Non-Executive Directors;
   - the remuneration and incentive framework, including any proposed equity incentive awards, for the Chief Executive Officer, any other Executive Directors and all executives that report directly to the Chief Executive Officer (Senior Executives);
   - recommendations and decisions (as relevant) on remuneration and incentive awards for the Chief Executive Officer, any other Executive Directors and Senior Executives; and
   - strategic human resources policies; and
2. nomination matters, including:
   - Board appointments, re-elections and performance;
   - Directors' induction programs and continuing development;
   - Committee membership;
   - endorsement of Senior Executive appointments; and
   - diversity obligations.

The Chief Executive Officer, appropriate management and representatives of any external adviser are to attend such portion of each meeting as requested by the Committee Chairman. An Executive is not to be present when the Committee discusses issues relating to that Executive.

The Committee will review and make recommendations to the Board on remuneration matters, including:

- the review and monitoring and recommendation of changes to the remuneration and incentive framework (including the equity plan framework and any diversity considerations) for Non-Executive Directors, Executive Directors and Senior Executives;
- the remuneration of Non-Executive Directors;
- the fixed remuneration levels and incentive awards for the Chief Executive Officer and any other Executive Directors; and
- performance based measures (financial and non-financial), targets and performance outcomes under incentive plans for the Executive Directors and Senior Executives.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016

	Note	2016 $000	2015 $000
Revenue	5	**52,749**	38,604
Cost of sales		**(7,198)**	(5,125)
Gross profit		**45,551**	33,479
Employee expenses	6	**(21,772)**	(17,857)
Administrative expenses		**(9,984)**	(7,908)
Marketing related expenses		**(9,432)**	(6,919)
Occupancy expenses	6	**(2,922)**	(2,660)
Foreign exchange losses	6	**(918)**	(126)
Depreciation and amortisation expenses	6	**(769)**	(511)
Share based payments expense	21	**(1,252)**	(1,164)
Finance costs	6	**(5)**	-
Loss before income tax		**(1,503)**	(3,666)
Income tax benefit	7	**330**	861
Loss after tax		**(1,173)**	(2,805)
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations	16	**(38)**	(54)
Total comprehensive loss for the year		**(1,211)**	(2,859)
Earnings per share		**Cents**	Cents
Basic earnings per share	28	**(0.26)**	(0.64)
Diluted earnings per share	28	**(0.25)**	(0.62)

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 2016

	Note	2016 $000	2015 $000
Assets			
Current assets			
Cash and cash equivalents	8	**34,779**	32,246
Trade and other receivables	9	**4,166**	3,359
Current tax assets	7	**155**	3
Other assets	10	**966**	823
Total current assets		**40,066**	36,431
Non-current assets			
Trade and other receivables	9	**216**	214
Plant and equipment	11	**1,311**	1,652
Intangible assets	12	**25,701**	23,850
Other assets	10	**502**	601
Deferred tax assets	7	**3,278**	2,865
Total non-current assets		**31,008**	29,182
Total assets		**71,074**	65,613
Liabilities			
Current liabilities			
Trade and other payables	13	**32,728**	28,423
Current tax liabilities	7	**81**	51
Provisions	14	**1,325**	1,173
Deferred revenue		**1,174**	808
Total current liabilities		**35,308**	30,455
Non-current liabilities			
Deferred tax liabilities	7	**3**	3
Provisions	14	**374**	248
Total non-current liabilities		**377**	251
Total liabilities		**35,685**	30,706
Net assets		**35,389**	34,907
Equity			
Contributed equity	15	**37,750**	37,310
Reserves	16	**2,433**	1,218
Accumulated losses		**(4,794)**	(3,621)
Total equity		**35,389**	34,907

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 2016

	Note	Contributed Equity $000	Share based payments $000	Foreign currency translation reserve $000	(Accumulated losses) $000	Total Equity $000
Balance at 1 January 2015		**17,520**	**421**	**(313)**	**(816)**	**16,812**
Loss for the year		-	-	-	(2,805)	(2,805)
Exchange differences on translation of foreign operations	16	-	-	(54)	-	(54)
Total comprehensive loss for the year		**-**	**-**	**(54)**	**(2,805)**	**(2,859)**
Transactions with owners in their capacity as owners:						
Contributions of equity arising from repayment of ESP loans	15	118	-	-	-	118
Issue of ordinary shares	15	20,000	-	-	-	20,000
Equity raising costs (net of tax)		(328)	-	-	-	(328)
Share based payments	21	-	1,164	-	-	1,164
Balance at 31 December 2015		**37,310**	**1,585**	**(367)**	**(3,621)**	**34,907**

	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	-	1,252	-	-	1,252
Balance at 31 December 2016		**37,750**	**2,838**	**(405)**	**(4,794)**	**35,389**

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 2016

	Note	2016 $000	2015 $000
Cash flows from operating activities			
Receipts from customers (inclusive of GST and VAT)		**51,968**	38,511
Payments to suppliers and employees (inclusive of GST and VAT)		**(47,434)**	(37,228)
Interest received		**140**	170
Income taxes (paid) / refunded		**(198)**	5
Net cash inflow from operating activities	27	**4,476**	1,458
Cash flows from investing activities			
Payments for plant and equipment		**(428)**	(967)
Payments for intangible assets		**(1,851)**	(8)
Payments for acquisition of subsidiary, net of cash acquired	24	**-**	(10,258)
Net cash (outflow) from investing activities		**(2,279)**	(11,233)
Cash flows from financing activities			
Proceeds from issue of shares	15	**-**	20,000
Contributions of equity arising from repayment of ESP loans	15	**440**	118
Equity raising costs		**-**	(468)
Net cash inflow from financing activities		**440**	19,650
Net increase in cash and cash equivalents		**2,637**	9,875
Cash and cash equivalents at beginning of the financial year		**32,246**	20,210
Effects of exchange rate changes on cash and cash equivalents		**(104)**	2,161
Cash and cash equivalents at end of year	8	**34,779**	32,246

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

Contents of the notes to the consolidated financial statements

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 2016 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 23 February 2017.

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.

(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 29(g).

(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

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairme

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	2016 $000	2015 $000
Financial Assets			
Cash and cash equivalents	8	**34,779**	32,246
Trade and other receivables	9	**4,382**	3,573
Total financial assets		**39,161**	35,819
Financial Liabilities			
Trade and other payables	13	**32,728**	28,423
Total financial liabilities		**32,728**	28,423

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:

2016 Currency exposure:	AUD	USD	NZD	GBP	HKD	SGD	PHP	EUR	CAD	INR	Other
	AUD	**USD**	**NZD**	**GBP**	**HKD**	**SGD**	**PHP**	**EUR**	**CAD**	**INR**	**AUD**
Denominated in:	**000's**	**000's**	**000's**	**000's**	**000's**	**000's**	**000's**	**000's**	**000's**	**000's**	**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)**

2015 Currency exposure:	AUD	USD	NZD	GBP	HKD	SGD	PHP	EUR	CAD	INR	Other
	AUD	**USD**	**NZD**	**GBP**	**HKD**	**SGD**	**PHP**	**EUR**	**CAD**	**INR**	**AUD**
Denominated in:	**000's**	**000's**	**000's**	**000's**	**000's**	**000's**	**000's**	**000's**	**000's**	**000's**	**000's**
Cash	9,722	11,785	148	926	1235	340	18,667	1,115	619	38,678	148
Trade receivables	363	1,572	18	133	301	61	4,897	187	92	6,890	88
Other financial assets	99	40	-	6	-	5	14,441		9	-	-
Payables	(220)	(1,852)	-	(10)	-	(7)	(5,951)		(3)	(227)	(6)
User obligations	(1,692)	(13,802)	(114)	(593)	(470)	(214)	(903)	(1,234)	(529)	(25,599)	(276)
Net exposure	**8,272**	**(2,257)**	**52**	**462**	**1,066**	**185**	**31,151**	**68**	**188**	**19,742**	**(46)**

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 Group had net liabilities of $185,000 denominated in foreign currencies as at 31 December 2015 (comprising assets of $26,310,000 less liabilities of $26,495,000).

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 2016. 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:

		2016 $000		2015 $000	
		High	**Low**	**High**	**Low**
AUD to USD	(Range +5% to -5%)	**(8)**	**9**	147	(163)
AUD to NZD	(Range +5% to -5%)	**(4)**	**4**	(2)	3
AUD to GBP	(Range +5% to -5%)	**(42)**	**46**	(44)	49
AUD to HKD	(Range +5% to -5%)	**(7)**	**8**	(9)	10
AUD to SGD	(Range +5% to -5%)	**(5)**	**6**	(9)	9
AUD to PHP	(Range +5% to -5%)	**(68)**	**75**	(43)	48
AUD to EUR	(Range +5% to -5%)	**(16)**	**18**	(5)	5
AUD to CAD	(Range +5% to -5%)	**(14)**	**15**	(9)	10
AUD to INR	(Range +5% to -5%)	**(51)**	**57**	(19)	22
Net movement		**(215)**	**238**	**7**	**(7)**

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 2016 the Group had $34,779,000 (2015: $32,246,000) 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
2016						
Non-derivatives						
Non-interest bearing						
Trade and other payables	13	**32,728**	-	-	-	-
Total		**32,728**	-	-	-	-
2015						
Non-derivatives						
Non-interest bearing						
Trade and other payables	13	28,423	-	-	-	-
Total		28,423	-	-	-	-

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

Until 31 October 2015, the Group was organised into one operating segment, namely an online marketplace. From 1 November 2015, on the completion of the acquisition of the business of Escrow.com, 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 2016	Online Marketplace	Online Payments	Total
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	**Online Marketplace**	**Online Payments**	**Total**
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)**

Year end 31 December 2015	Online Marketplace	Online Payments	Total
Segment revenue			
Segment revenue	36,769	1,835	38,604
Total segment revenue	36,769	1,835	38,604
Segment result			
Segment loss	(1,886)	(106)	(1,992)
Share based payments			(1,164)
Depreciation and amortisation expenses			(510)
Loss before income tax			(3,666)
Income tax benefit			861
Loss for year			(2,805)
Segment Assets			
At 31 December 2015	**Online Marketplace**	**Online Payments**	**Total**
Segment assets	38,632	3,098	41,730
Intergroup eliminations	(1,432)		(1,432)
Deferred tax assets			2,865
Intangibles			22,450
Total assets	37,200	3,098	65,613
Segment liabilities			
At 31 December 2015			
Segment liabilities	(29,943)	(2,192)	(32,135)
Intergroup eliminations		1,432	1,432
Deferred tax liabilities			(3)
Total liabilities	(29,943)	(760)	(30,706)

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).

	2016 $000	2015 $000
Sales revenue		
Marketplace and payment services	**52,508**	38,222
Other revenue		
Interest income	**130**	181
Government grants	**80**	159
Other	**31**	42
Total revenue	**52,749**	38,604

6. Expenses

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

	2016 $000	2015 $000
Employee expenses		
Wages and salaries (including superannuation)	**18,633**	15,527
Other employment costs	**3,139**	2,330
Total employee expenses	**21,772**	17,857
Depreciation and amortisation		
Plant and equipment	**531**	361
Leasehold improvements	**238**	150
Total depreciation and amortisation expenses	**769**	511
Rental expense relating to operating leases		
Minimum lease payments	**2,922**	2,924
Rent recovery from sub-lease agreement	**-**	(264)
Net rental expense relating to operating leases	**2,922**	2,660
Net foreign exchange losses	**918**	126
Finance costs		
Interest expense	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.

	2016 $000	2015 $000
(a) Income tax		
Current tax	**80**	40
Deferred tax	**(410)**	(901)
Income tax (benefit)	**(330)**	(861)
Deferred income tax expense included in income tax benefit comprises:		
(Increase) in deferred tax assets	**(410)**	(902)
Increase in deferred tax liability	**-**	1
Total deferred income tax	**(410)**	(901)
(b) Numerical reconciliation of income tax benefit to prima facie income tax payable		
Loss from ordinary activities before income tax expense	**(1,503)**	(3,666)
Tax at the Australian rate of 30%	**(451)**	(1,100)
Tax effect amounts which are not deductible / (taxable) in calculating taxable income:		
R&D tax incentive	**(213)**	(259)
Difference in tax rate	**(196)**	(163)
Share based payments	**376**	349
Over provision in prior years	**(56)**	49
Future benefit of foreign losses	**(8)**	16
Other non-allowable items	**218**	247
Income tax (benefit)	**(330)**	(861)

	2016 $000	2015 $000
(c) Amounts recognised directly in equity		
Deferred tax associated with capital raising	**122**	183
(d) Deferred tax assets The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Employee benefits	**272**	221
Provision for user disputes & refunds	**104**	152
Legal fees	**24**	24
Capital raising costs	**24**	47
Foreign exchange losses / (gains)	**337**	(15)
Intangible assets	**150**	129
Provision for impairment of receivables	**803**	464
Audit fees	**73**	67
Future benefit of tax losses	**1,333**	1,540
Future benefit of foreign tax losses	**36**	53
Total amounts recognised in profit or loss	**3,156**	2,682
Amounts recognised directly in equity:		
Capital raising costs	**122**	183
Total amounts recognised in equity	**122**	183
Net deferred tax assets	**3,278**	2,865
Movements:		
Opening balance at beginning of year	**2,865**	1,822
Credited to the profit or loss statement	**413**	964
Credited to equity	**-**	79
Closing balance at end of year	**3,278**	2,865
(e) Deferred tax liabilities The balance comprises temporary differences attributable to:		
Fixed assets	**3**	3
Net deferred tax liabilities	**3**	3
Movements:		
Opening balance at beginning of year	**3**	1
Credited to the profit or loss statement	**-**	2
Closing balance at end of year	**3**	3
(f) Current tax assets		
Current tax assets	**155**	3
(g) Current tax liabilities		
Current tax liabilities	**81**	51
(h)Franking credits		
Franking credits available at the reporting date based on a tax rate of 30%	**87**	121

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.

	2016 $000	2015 $000
Current		
Cash at bank and on hand	**31,323**	24,883
Term deposits	**3,456**	7,363
Total cash and cash equivalents	**34,779**	32,246

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.

	2016 $000	2015 $000
Current		
Trade receivables	**3,332**	1,900
Less: provisions for impairment of trade receivables	**(2,679)**	(1,545)
Current trade receivables net of provisions for impairment	**653**	355
Payment gateway receivables	**3,461**	2,981
Other receivables	**52**	23
Total current trade and other receivables	**4,166**	3,359
Non-Current		
Payment gateway receivables	**216**	214
Total trade and other receivables	**4,382**	3,573
(a) Provision for impaired trade receivables		
Opening balance	**1,545**	1,205
Increase / (Decrease) in provisions for impairment during the year	**1,090**	(79)
Exchange differences	**44**	419
Closing balance	**2,679**	1,545
(b) Ageing of current trade receivables		
1 – 30 days	**630**	273
31 – 60 days	**565**	168
61 – 90 days	**584**	175
90+ days	**1,553**	1,284
Provision for impairment	**(2,679)**	(1,545)
Total trade receivables net of provision for impairment	**653**	355

10. Other assets

	2016 $000	2015 $000
Current		
Prepayments	**861**	720
Other	**105**	103
Total current other assets	**966**	823
Non-current		
Security deposits	**502**	601
Total non-current other assets	**502**	601
Total other assets	**1,468**	1,424

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.

	2016 $000	2015 $000
Non-current		
Office and computer equipment – at cost	**1,992**	1,632
Accumulated depreciation	**(1,150)**	(736)
Carrying value of office and computer equipment	**842**	896
Fixtures and fittings – at cost	**497**	439
Accumulated depreciation	**(345)**	(233)
Carrying value of fixtures and fittings	**152**	206
Motor vehicles – at cost	**42**	42
Accumulated depreciation	**(42)**	(42)
Carrying value of motor vehicles	**-**	-
Software – at cost	**19**	19
Accumulated depreciation	**(12)**	(7)
Carrying value of software	**7**	12
Leasehold improvements – at cost	**864**	876
Accumulated amortisation	**(554)**	(338)
Carrying value of leasehold improvements	**310**	538
Total carrying value of plant and equipment	**1,311**	1,652

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 improve-ments $000	Total $000
Balance at 1 January 2015	564	222	-	-	328	1,113
Additions	600	91	-	14	360	1,065
Disposals	(15)	-	-	-	-	(15)
Depreciation and amortisation	(253)	(107)	-	(2)	(150)	(511)
Balance at 31 December 2015	**896**	**206**	**-**	**12**	**538**	**1,652**
Additions	385	34	-	-	9	428
Disposals						
Depreciation and amortisation	(439)	(88)	-	(4)	(239)	(769)
Balance at 31 December 2016	**842**	**152**		**7**	**310**	**1,311**

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.

	2016 $000	2015 $000
Non Current		
Domain names – at cost	**4,136**	3,083
Accumulated impairment	**(28)**	(28)
Carrying value of domain names	**4,108**	3,055
Intellectual property – at cost	**2,198**	1,400
Accumulated impairment	**-**	-
Carrying value of domain names	**2,198**	1,400
Goodwill	**19,395**	19,395
Accumulated impairment	**-**	-
Carrying value of goodwill	**19,395**	19,395
Total carrying value of intangible assets	**25,701**	23,850

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 2015	3,047	-	9,906	12,953
Additions	8	-	9,489	9,497
Acquisitions through business combinations	-	1,400	-	1,400
Impairment	-	-	-	-
Amortisation	-	-	-	-
Balance at 31 December 2015	3,055	1,400	19,395	23,850
Additions	1,053	798	-	1,851
Acquisitions through business combinations				
Impairment	-	-	-	-
Amortisation	-	-	-	-
Balance at 31 December 2016	**4,108**	**2,198**	**19,395**	**25,701**

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.

Key assumptions used in the discounted cash flow model in relation to the intangibles included a 30% pre-tax discount rate and 2% terminal growth rate. The discount rate of 30% pre-tax reflects 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.

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.

	2016 $000	2015 $000
Current		
Trade payables	**3,067**	2,375
Sundry payables and accrued expenses	**939**	617
User obligations	**28,722**	25,431
Total trade and other payables	**32,728**	28,423

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.

	2016 $000	2015 $000
Current		
Provision for user disputes and refunds	**346**	508
Employee benefits	**979**	665
Total current provisions	**1,325**	1,173
Non-current		
Make-good provisions	**237**	140
Employee benefits	**137**	108
Total non-current provisions	**374**	248
Total provisions	**1,699**	1,421

15. Contributed equity

(a) **Share capital**

	Note	2016 Number	2015 Number	2016 $000	2015 $000
Ordinary shares					
Fully paid	15(b)	458,728,081	457,294,618	37,750	37,310
Total share capital				**37,750**	**37,310**

(b) **Movements in ordinary share capital**

Reconciliation to 31 December 2015	Numberof shares	Average price	$000
Balance at 1 January 2015	436,330,004		17,520
Capitalised equity raising costs (net of tax)	-	-	(328)
Issue / (cancellation) of ordinary shares:			
Issue of ordinary shares - placement	10,000,000	$1.00	10,000
Issue of ordinary shares - placement	7,142,857	$1.40	10,000
Issue of ordinary shares under incentive plan	325,000	$0.00	-
Issue of ESP shares [1]	5,855,000	$1.03	-
Buy-back and cancellation of ESP shares	(2,358,243)	$0.82	-
Contributed equity arising from repayment of ESP loans	-	-	118
Balance at 31 December 2015	457,294,618		37,310

Reconciliation to 31 December 2016	Numberof shares	Average price	$000
Balance at 31 December 2015	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**

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 2015 Annual Report.

16. Equity – reserves

(a) Movements

	2016 $000	2015 $000
Share based payment reserve movements		
Balance at the beginning of the period	**1,585**	421
Share based payment expense	**1,252**	1,164
Balance at the end of the period	**2,838**	1,585
Foreign currency translation reserve movements		
Balance at the beginning of the period	**(367)**	(313)
Currency translation differences arising during the period	**(38)**	(54)
Balance at the end of the period	**(405)**	(367)
Total reserves	**2,433**	1,218

(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 (Executive Director until 31 October 2015)

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**

	2016 $000	2015 $000
Short-term employee benefits	**954**	1,091
Share based employee benefits	**102**	69
Other long term benefits	**65**	76
Total benefits	**1,121**	1,236

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:

	2016 $000	2015 $000
(a) Hall Chadwick		
Audit and other assurance services		
Audit and review of financial reports	**104**	104
Taxation services		
Tax compliance services, including review of Company income tax returns	**47**	24
Total remuneration of Hall Chadwick	**151**	128
(b) Audit firms other than Hall Chadwick		
Audit and other assurance services		
Audit and review of financial reports	**75**	44
Taxation services		
Tax compliance services, including review of subsidiary income tax returns	**18**	22
Total remuneration of audit firms other than Hall Chadwick	**93**	66
Total auditors' remuneration	**244**	194

19. Contingent liabilities

Except for the items listed below, there are no other contingent liabilities as at 31 December 2016:

- a collateral amount of USD100,000 (2015: USD100,000) is in place in one of the Group's PayPal accounts in favour of PayPal Australia Pty Ltd;
- term deposits of $77,482 (2015: $47,488) are secured for corporate credit card facilities in place;
- deposits of $730,000 (2015: $756,000) 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 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 2016 these leases had remaining lives ranging from 2 months up to 40 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:

	2016 $000	2015 $000
Less than one year	**2,306**	2,216
Between one and five years	**3,784**	5,725
More than five years	**-**	-
Total operating lease commitments	**6,090**	7,941

(b) **Other capital commitments**

There were no capital commitments as at 31 December 2016

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 re-strictions	Forfeited / cancelled	Balance at the end of the year	Balance of unvested ESP shares	Balance of vested ESP shares
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**
2015								
14 October 2013	$0.50	900,000	-	-	-	900,000	412,501	487,499
13 November 2013	$0.50	3,926,317	-	(235,836)	(883,243)	2,807,238	1,427,749	1,379,489
28 February 2014	$1.54	-	-	-	-	-	-	-
22 May 2014	$1.14	1,050,000		-	(1,050,000)	-	-	-
3 November 2014	$0.70	425,000		-	(425,000)	-	-	-
20 February 2015	$0.66	-	1,200,000	-	-	1,200,000	1,200,000	-
10 March 2015	$0.77	-	1,500,000	-	-	1,500,000	1,500,000	-
10 April 2015	$1.01	-	950,000	-	-	950,000	950,000	-
3 June 2015	$1.08	-	400,000	-	-	400,000	400,000	-
12 August 2015	$1.40	-	1,065,000	-	-	1,065,000	1,065,000	-
15 October 2015	$1.45	-	375,000	-	-	375,000	375,000	-
24 November 2015	$1.76	-	125,000	-	-	125,000	125,000	-
21 December 2015	$1.76	-	240,000	-	-	240,000	240,000	-
Total		**6,301,317**	**5,855,000**	**(235,836)**	**(2,358,243)**	**9,562,238**	**7,695,250**	**1,866,988**

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 $0.62 per option (2015: $0.51). 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 $0.705 per share (2015: $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 25.

(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.

	2016 $000	2015 $000
Statement of comprehensive income		
Loss after tax	**(1,606)**	(572)
Total comprehensive loss	**(1,606)**	(572)
Statement of financial position		
Current assets	**3,984**	9,977
Non-current assets	**33,833**	27,729
Total assets	**37,817**	37,706
Current liabilities	**40**	16
Total liabilities	**40**	16
Net assets	**37,777**	37,690
Contributed equity	**37,750**	37,310
Reserves	**2,838**	1,585
Accumulated losses	**(2,811)**	(1,205)
Total equity	**37,777**	37,690

Contingent liabilities

The parent entity had no contingent liabilities at 31 December 2016 and 31 December 2015.

Capital commitments – plant and equipment

The parent entity had no capital commitments for plant and equipment as at 31 December 2016 and 31 December 2015.

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. 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.

(a) **Acquisition of Escrow.com group**

On 24 April 2015, the Group entered into a stock and asset purchase agreement to acquire:

1. 100% of the shares in Westmor Management, Inc. a California corporation, which owns and operates the business of Escrow.com and
2. certain intellectual property assets owned by the Westmor group.

The total purchase price was US$7.5 million and the acquisition was subject to US regulatory approvals, which were completed on 31 October 2015, at which date the Group assumed control of the business. Escrow.com is a provider of secure online payments. Escrow.com contributed revenues of $1.8 million for the period 1 November 2015 to 31 December 2015.

The Group has determined it impracticable to disclose the revenue and net profit/loss included in the consolidated statement of profit or loss and other comprehensive income had the acquisition of the shares of Westmor Management, Inc. occurred at the beginning of the reporting period. The Group has assessed that an objective determination of the revenue and net profit since the beginning of the reporting period was not able to be made due to the integrated nature of the Group's website operations and as such disclosure has not been made.

	A$000
Purchase consideration:	
Cash	10,501
Fair value of net identifiable assets acquired:	
Cash	243
Deposits	56
Other assets	78
Fixed assets	82
Intellectual property	1,400
Payables	(341)
Deferred revenue	(337)
Provisions	(169)
Fair value of net assets acquired	1,012
Goodwill on acquisition	9,489
Total purchase consideration	10,501

In addition to the net identifiable assets acquired, Escrow.com held cash balance in trust amounting to A$28,270,000 at 31 October 2015, which had 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.

25. 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 29:

		Percentage Owned (%)	
Name of entity	Country of Incorporation	2016	2015
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	-
Freelancer Networks (Canada) Inc.	Canada	100	100
Freelancer Outsourcing Inc	Canada	100	100
Freelancer.com Pte Limited	Singapore	100	100
Freelancer Belize Limited #	Belize	-	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

Name of entity	Country of Incorporation	Percentage Owned (%) 2016	2015
Subsidiaries of Freelancer Limited (continued):			
Payments Europe Limited1	United Kingdom	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

1 This entity was acquired on incorporation

** Escrow.com group*

 # Entity wound up during 2016

26. Events occurring after the reporting date

There are no other matters or circumstances that have arisen since 31 December 2016 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.

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

	2016 $000	2015 $000
Loss for the year	**(1,173)**	(2,805)
Non-cash items in operating loss:		
Depreciation and amortisation	**769**	511
Share based payments expense	**1,252**	1,164
Net exchange differences	**(292)**	(399)
Changes in operating assets and liabilities:		
(Increase) in trade and other receivables	**(1,147)**	(482)
(Increase) in deferred tax assets	**(413)**	(902)
(Increase) in other assets	**(44)**	(142)
Increase in trade and other creditors	**5,369**	4,440
(Decrease) / Increase in provision for income tax	**(121)**	43
Increase in deferred tax liabilities	**-**	2
Increase / (Decrease) in provisions for employee benefits	**342**	(176)
(Decrease) / Increase in other provisions	**(66)**	204
Net cash inflow from operating activities	**4,476**	1,458

28. 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.

	2016 Cents	2015 Cents
(a) Basic earnings per share		
From operations attributable to the ordinary equity of the Company	**(0.26)**	(0.64)
Total basic earnings per share attributable to the ordinary equity holders of the Company	**(0.26)**	(0.64)
(b) Diluted earnings per share		
From operations attributable to the ordinary equity of the Company	**(0.25)**	(0.62)
Total basic earnings per share attributable to the ordinary equity holders of the Company	**(0.25)**	(0.62)
(c) Reconciliation of earnings used in calculating earnings per share	**$000**	$000
Basic earnings per share:		
Loss from continuing operations	**(1,173)**	(2,805)
Diluted earnings per share:		
Loss attributable to the ordinary equity holders of the Company	**(1,173)**	(2,805)

	2016 Shares	2015 Shares
(d) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used in calculating basic earnings per share	**449,549,387**	439,834,541
Adjustments for calculation of ordinary shares used in calculating diluted earnings per share:		
ESP shares	**10,582,610**	8,282,006
Share grants	**166,210**	1,569,497
Weighted average number of ordinary shares used in calculating diluted earnings per share	**460,298,207**	449,686,044

(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.

29. 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 25.

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) 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.

(g) 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 2016, 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 2016 of $25,701,000 (2015: $23,850,000).

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 2016 the cash balance in trust amounted to A$26,104,000 (2015: A$26,952,000), 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.

(h) 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 2015.

(i) 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 do not anticipate that the adoption of AASB 9 will 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 do not anticipate that the adoption of AASB 15 will 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.
- Although the directors anticipate that the adoption of AASB 16 will impact the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

Directors' Declaration

In the Directors' opinion:

(a) the Financial Statements and notes of the consolidated entity set out on pages 54 to 87 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 2016 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 2016.

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

On behalf of the directors

Matt Barrie

Matt Barrie
Chairman

23 February 2017

Independent Auditor's Report

HALL CHADWICK (NSW)

Chartered Accountants and Business Advisers

FREELANCER LILMITED
ABN 66 141 959 042
AND CONTROLLED ENTITIES

SYDNEY

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FREELANCER LIMTED AND CONTROLLED ENTITITES

Opinion

We have audited the accompanying financial report of Freelancer Limited (the Company), which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss, consolidated statement of 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 of the Consolidated Entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

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 2016 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
AND CONTROLLED ENTITIES

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

Key Audit Matter	Procedures
Reliance on automated process and controls 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: • Complex IT environment supporting the company's business processes • Mix of manual and automated controls • Multiple internal and outsource support arrangements • Large volume of low value transactions	Our procedures included, amongst others: We understood and tested management's controls over its systems relevant to financial reporting. 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 review of the policies and procedures, change management and access security. 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. When testing controls was not considered an appropriate or efficient testing approach, alternative audit procedures were performed on the financial information.
Impairment of Goodwill and Intangible Assets Refer to Note 12 – Intangible Assets and Note 28 (g) - Critical Accounting Estimates and Judgements The Group has recognised intangible assets of $25.7 million at 31 December 2016 resulting from business combinations and asset acquisitions. 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. 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	Our procedures included, amongst others: 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. 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. 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. We performed sensitivity analysis on the fee income; terminal growth rate; and discount rate inputs. 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.

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 ENTITITES

Other Information

The directors are responsible for the other information. The other information comprises the information in the Consolidated Entity's annual report for the year ended 31 December 2016, 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 Company 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 Note 2(a), the directors also state, in accordance with Australian Accounting Standards AASB 101 Presentation of Financial Statements, that the financial report complies with International Financial Reporting Standards.

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 responsibility is to express an opinion on the financial report based on our audit. 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 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 Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

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 ENTITITES

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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 entity's internal control.

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.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We 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 Consolidated Entity'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 Consolidated Entity to cease to continue as a going concern.

We 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 matter that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Consolidated Entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Consolidated Entity audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, amongst 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.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. 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 consolidated financial report of the current period and are therefore key audit matters. We describe these maters 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 ENTITITES

We have audited the remuneration report included in pages 43 to 48 of the directors' report for the year ended 31 December 2016.

The directors of the company 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 2016 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: 23 February 2017

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 20 March 2017.

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]	201,075,285
Simon Clausen and Startive Holdings Limited and its related bodies[2]	166,571,826

Top 20 Shareholders as at 20 March 2017

Rank	Name	Number of ordinary shares held	% of ordinary shares held
1	MATT BARRIE	191,435,150	42.0%
2	CITICORP NOMINEES PTY LIMITED	108,649,542	23.9%
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	79,116,734	17.4%
4	NATIONAL NOMINEES LIMITED	10,937,884	2.4%
5	MR DARREN WILLIAMS	10,605,660	2.3%
6	J P MORGAN NOMINEES AUSTRALIA LIMITED	4,850,896	1.1%
7	UBS NOMINEES PTY LTD	4,005,137	0.9%
8	NICHOLAS P DE JONG	3,006,164	0.7%
9	MR CHRISTOPHER KOCH	1,500,000	0.3%
10	MR RODNEY JOHN SELLICK	1,190,848	0.3%
11	BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE A/C>	1,045,683	0.2%
12	MR JONATHON SEALLY	900,000	0.2%
13	MAROBAR HOLDINGS PTY LIMITED	789,500	0.2%
14	MR MICHAEL JOHN RUHFUS	694,831	0.2%
15	CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	611,138	0.1%
16	PLASMA EQUITIES RESEARCH PTY LTD	600,000	0.1%
17	NEIL L KATZ	559,461	0.1%
18	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 3	513,274	0.1%
19	VIKRAM SHARMA	500,000	0.1%
20	MR DARREN WILLIAMS	500,000	0.1%
	Total Top 20	422,011,902	92.7%
	Total remaining	33,470,640	7.3%

1. Notified 17 March 2017. Included a relevant interest in 9,471,826 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.

2. Notified 17 March 2017. Included a relevant interest in 9,871,826 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 20 March 2017

	Number of shareholders	Number of Shares
1-1,000	725	438,793
1,001-5,000	1,243	3,591,710
5,001-10,000	452	3,544,370
10,001-100,000	509	14,691,087
100,001-99,999,999,999	79	433,216,582
Total	**3,008**	**455,482,542**

Restricted securities as at 20 March 2017

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

Class of restricted securities	Nature of restriction	Number of Shares
Quoted ESP shares	Various dates ending no later than 4 November 2020	6,626,287
Unquoted ESP shares	Various dates ending no later than 1 August 2020	3,245,539
Total shares subjected to trading restrictions		

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 (Executive Director to 31 October 2015)
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 7

207 Kent 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)