

Freelancer Limited

Financial Report & Directors' Report

For the year ended 31 December 2019

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Freelancer Limited

Directors' Report

Your Directors submit the financial report of Freelancer Limited (the Company) for the year ended 31 December 2019. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows.

Directors

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

<p>Matt Barrie <i>Executive Chairman (appointed 10 April 2010)</i></p> <p>BE (Hons I) BSc (Hons I) GDipAppFin MAppFin MSEE (Stanford) GAICD SEP FIEAust</p>	<ul style="list-style-type: none"> • 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 196,209,032 fully paid ordinary shares, including a relevant interest in 2,792,101 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 193,416,931 fully paid ordinary shares (representing 42.72% of issued capital). • Member of the Nomination and Remuneration Committee and Audit Committee.
<p>Darren Williams <i>Non-Executive Director from 1 November 2015. Executive Director until 31 October 2015 (appointed 10 April 2010)</i></p> <p>BSc (Hons I) PhD (Computer Science)</p>	<ul style="list-style-type: none"> • 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 10,627,165 fully paid ordinary shares (representing 2.35% of issued capital). • Member of the Nomination and Remuneration Committee and Audit Committee.
<p>Simon Clausen <i>Non-Executive Director (appointed 10 April 2010)</i></p>	<ul style="list-style-type: none"> • 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 163,142,101 fully paid ordinary shares, including a relevant interest in 2,792,101 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 160,350,000 fully paid ordinary shares (representing 35.42% of issued capital). • Member of the Nomination and Remuneration Committee and Audit Committee.

Freelancer Limited Directors' Report

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 significant changes in the nature of the principal activities during the financial year.

Review of results and operations

The Group's loss attributable to equity holders of the Company, after providing for income tax, was nearing breakeven at \$1,591,000 (2018 loss: \$1,484,000).

Key Performance Highlights

Year ended 31 December	FY19 \$m	FY18 \$m	% Change
Financial metrics:			
Gross Payment Volume ¹	788	741	+6%
Net Revenue ²	58.0	51.9	+12%
Gross Profit	48.9	44.2	+11%
Gross margin (%) ⁶	83.7%	85.2%	-1.8%
Operating EBITDA ^{3,4}	(1.1)	(0.7)	nm
Operating EBIT ³	(1.4)	(1.2)	nm
Operating NPAT ³	(1.3)	(0.9)	nm
Operating Cash Flow ⁵	2.1	(0.9)	nm
Operational metrics:			
New Jobs ⁶ (millions)	1.9	2.1	-13%
Total Jobs Posted (millions)	17	15.1	+12%
New Registered Users (excluding Escrow, millions)	9.1	4.7	+94%
Total Registered Users ⁵ (millions)	41.7	32.5	+28%

Notes:

- 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 FY19 GPV A\$181.4 million (up 6.7% on prior corresponding period), Payments segment GPV A\$606.3 million (up 6.3% on prior corresponding period).
- Net Revenue excluding Escrow.com for FY19 was \$50.4m (up 13% on prior corresponding period).
- Excludes non-cash share based payments expense of \$329k in FY19 and \$559k in FY18.
- In FY19 lease expenses in respect of office leases have been accounted for in accordance with AASB 16 Leases. The impact is that lease expenses are no longer reflected in the P&L but are brought into account as depreciation on the right of use asset and interest paid on the corresponding lease liability. Depreciation of \$2.9m and finance costs of \$0.2m relating to office leases (accounted for in accordance with AASB 16 Leases) are included in the EBITDA calculation.
- In FY19 lease payments in respect of office leases have been accounted for in accordance with AASB 16 Leases. The impact is that lease payments are now recorded in the cash flow statement as interest payments, disclosed in operating activities and capital payments, disclosed in financing activities. The FY18 comparatives have not been restated.
- 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.
- User and project/contest data includes all users and projects/contests from acquired marketplaces. Prior to May 2009, all data was from acquired marketplaces. Includes Escrow.com unique users.

Freelancer.com

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

In FY19, Freelancer.com ended the year with 41.7 million users, adding 9.1 million users. The number of jobs posted (filtered) totalled 17 million at 31 December 2019, adding 1.9 million for the year.

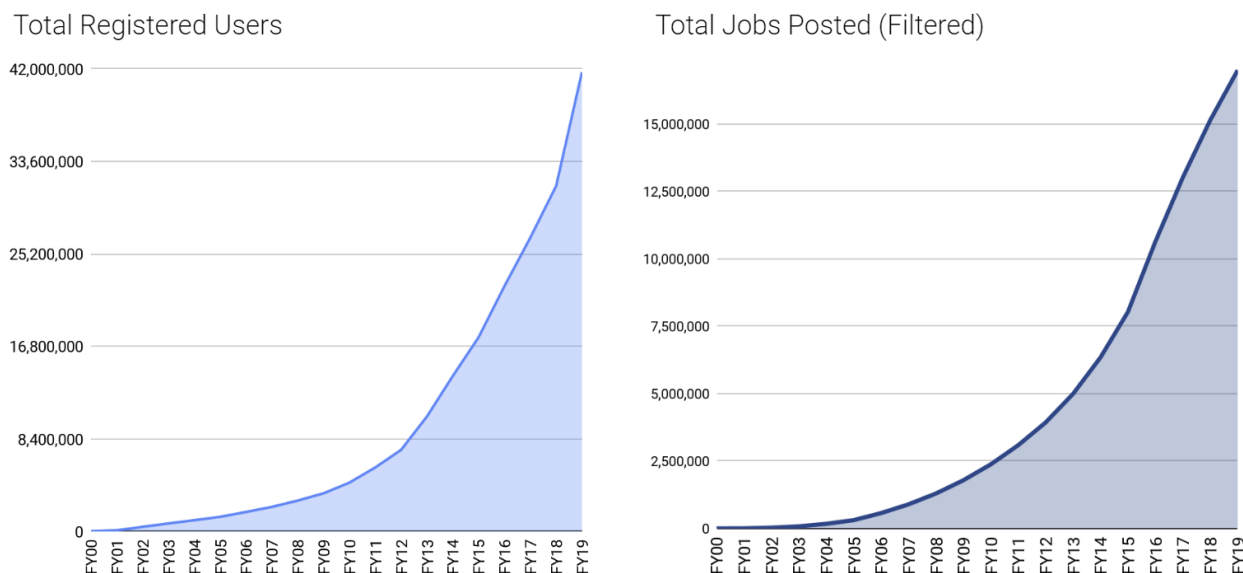


Figure 1: Total registered users and jobs¹ (filtered) by year on Freelancer.com

In the year, Freelancer Gross Payment Volume hit an all-time record of \$181.4m, up 6.7% on the previous corresponding period. Net revenue for Freelancer.com was \$50.4m (up 13% on pcp).

Freelancer Enterprise continued to grow, achieving \$5.2m of enterprise services revenue in FY19. In the year, we signed Master Services Agreements with major brands in the technology, aerospace, telecommunications, field services, professional services, advertising, defense and healthcare industries. Our default agreements do not include a minimum volume commitment.



Research can be very time consuming and intricate, but it doesn't require a Deloitte specific skillset.

We've found that if we develop comprehensive template or research guides that we get phenomenal products back from Freelancer that frequently exceed the breadth and depth of information of what we would have been able to produce on our own.

Senior Manager @ Deloitte Consulting

¹ filtered for spam, advertising, test projects, unawardable or otherwise projects that are deemed bad and unable to be fulfilled

Freelancer Limited Directors' Report

Of note, in FY19 we delivered ArrowPlus powered by Freelancer for Arrow Electronics, a custom marketplace for electrical and electronic engineering and Deloitte MyGigs, a talent marketplace to enable Deloitte consultants globally to more efficiently match skills with opportunities and provide greater visibility into projects and resource needs. In 4Q19 Airbus launched an internal crowdsourcing platform that was built on the Freelancer API.

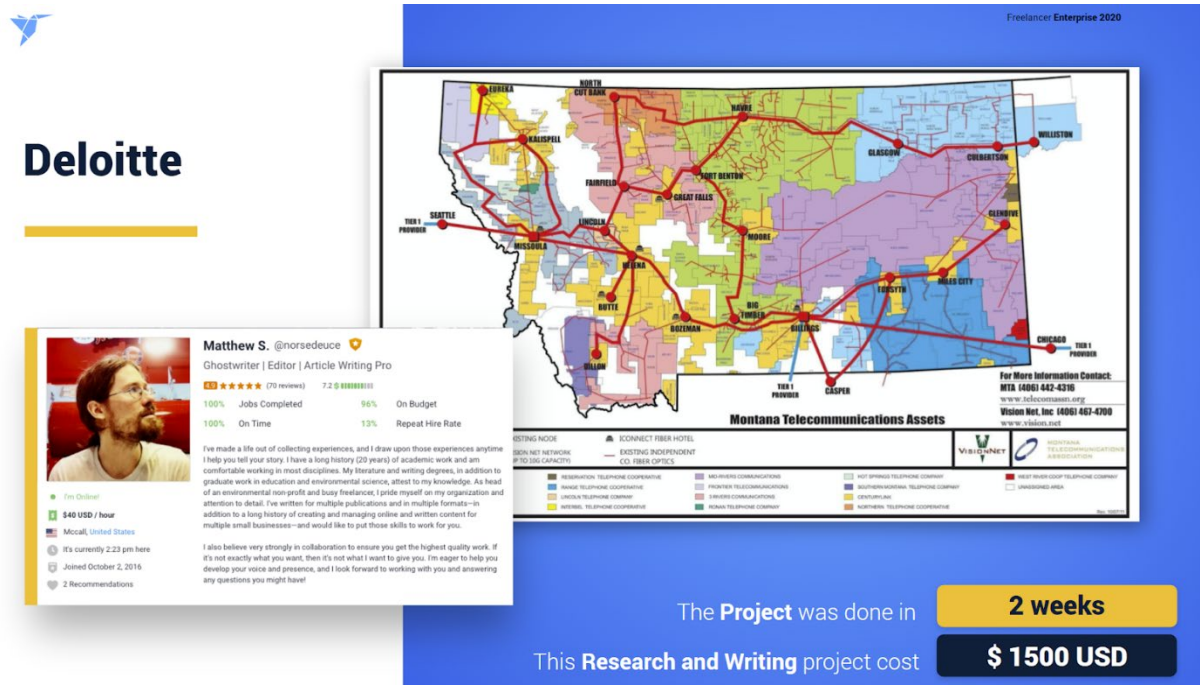


Figure 2: Deloitte research project for US Federal Consulting

Of note, towards the end of the year the company commenced pilots in field services for technology & telecommunications in multiple countries.

To the downside, as a technology company operating in 247 countries, regions and territories, we increasingly need to make changes to the website to keep up with regulatory change. This has included, but is not limited to the General Data Protection Regulation and Payment Services Directive 2 in Europe, the California Consumer Privacy Act and California Department of Business Oversight regulation in the United States, Tax Collected at Source in India, and so forth. This continues to consume engineering resources.

Through FY19 engineering continued to deploy a new front-end technical stack for the website. The goal of this work is to improve the user experience, product velocity and site speed. This effort pays off a large amount of technical debt that has accrued over the years and will bring the front-end architecture to the state of the art, which should improve the user experience and retention. Furthermore, the new front-end stack is fully responsive, allowing for a significant upgrade in user experience when viewing the site through a mobile browser.

Another major focus for the company was quality, with the year seeing the release of a new staging environment and production testing framework to ensure that changes are shipped to the website bug-free. The company also hired a new Director of Quality Assurance to lead this initiative.

The year also saw a number of other product enhancements, including improvements to the hourly payments process and associated time tracking system, the introduction of a number of measures to reduce spam, and the addition of number of new engagement-focused features to our mobile apps resulting in a 40% increase in weekly active app users year on year. Our Recruiter offering continued to perform strongly, with an increase in volume of projects of 27% year on year.

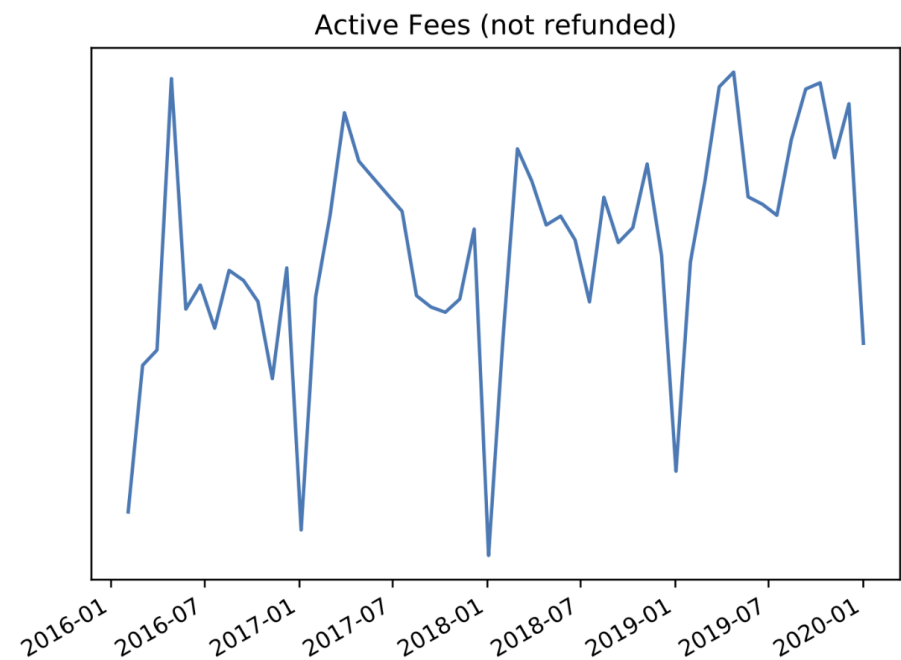


Figure 3: Active fees (USD equiv.).
Note y-axis origin is not zero (dips are Christmas/New Year holidays)

Our quality, retention and customer focused improvements have been paying off with our Trustpilot Score maintaining 4.5 (Excellent) in FY19.

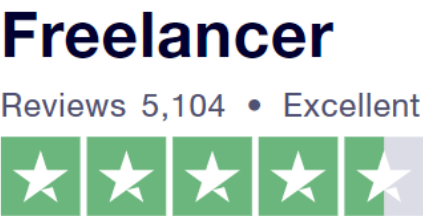


Figure 4: Trustpilot score for Freelancer.com

Escrow.com

In FY19 Escrow.com achieved an all-time record Gross Payment Volume of \$606.3m, up 6.4% on pcp.

Escrow.com continues to hold market dominant positions in established asset verticals including Internet domain names, websites and intellectual property. In emerging verticals, Escrow.com is now a leading technology platform for the exchange of IPv4 addresses, servicing over 70% of all registered IPv4 brokers in America. In the last two years GPV for IPv4 rose 530% to US\$51 million (unaudited).

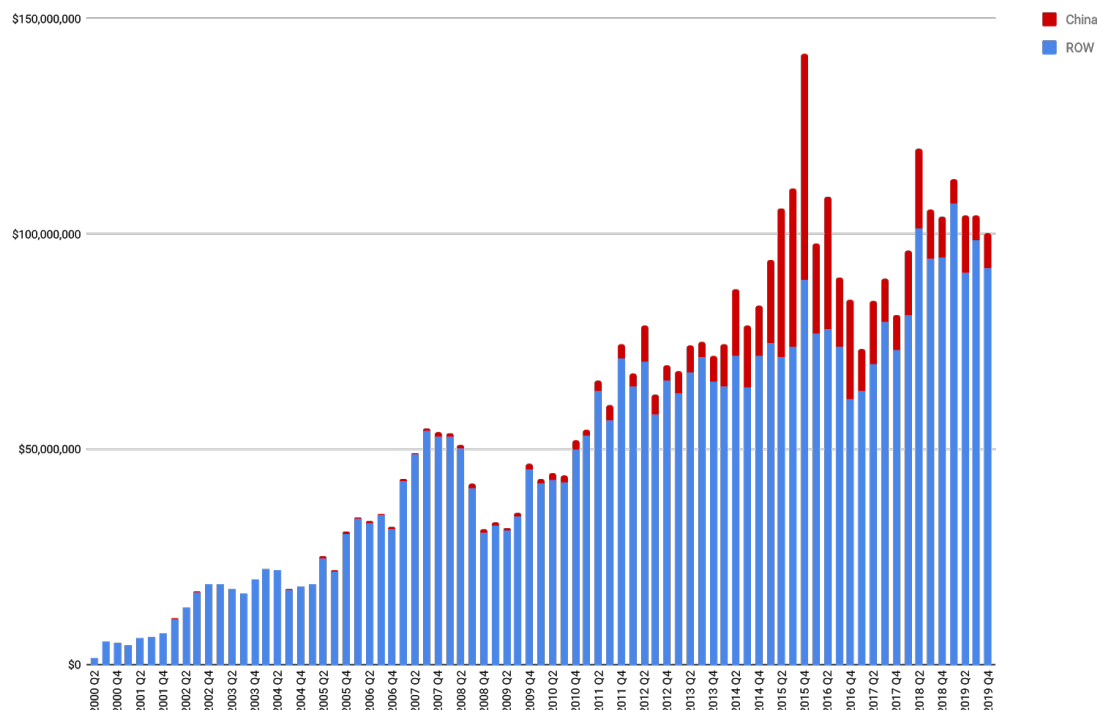


Figure 5: Total Gross Payment Volume contribution (US\$) for Escrow.com

We are highly optimistic about partner opportunities in our API ecosystem as marketplace partners seek a licensed escrow platform to integrate. In FY19 we signed and are in the process of deploying into a major North American automotive marketplace that is first in its category. There is no minimum volume commitment for this customer. We will announce more on their go-live date which is yet to be scheduled.

Other signed customers in FY19 included, but was not limited to an import/export marketplace, a commodities marketplace, a vehicle inspection marketplace, two freelancing marketplaces, three more motor vehicle and heavy equipment marketplaces including TruckTrailerTractor, four more IPv4 address marketplaces, eleven domain marketplaces & an equipment marketplace.

The pipeline also has a number of customers of scale that we are progressing well with including a second major automotive marketplace.

Escrow.com's strategy of pursuing licensing in every state and territory in the US and Canada continued to be recognised as a key distinguishing feature by marketplace partners. Currently Escrow.com is licensed in 47 US states with two further state licenses in the final stages of processing. We aim to complete our US program in 2020.

In FY19 Escrow.com added Canadian dollar support and filed as a Money Services Business in Quebec. With this filing achieved it is our immediate priority to file our United Kingdom Payments Institution Application.

Review of Financial Performance

The Company achieved Net Revenue of \$58.0 million in FY19 (up 6% on the previous corresponding period), and an all-time record Gross Payment Volume of \$787.7 million (up 12% on the previous corresponding period). Revenue excluding Escrow.com amounts to \$50.4 million (up 13% on the previous corresponding period), GPV excluding Escrow.com was an all-time record at \$181.4 million (up 6.77% on the previous corresponding period).

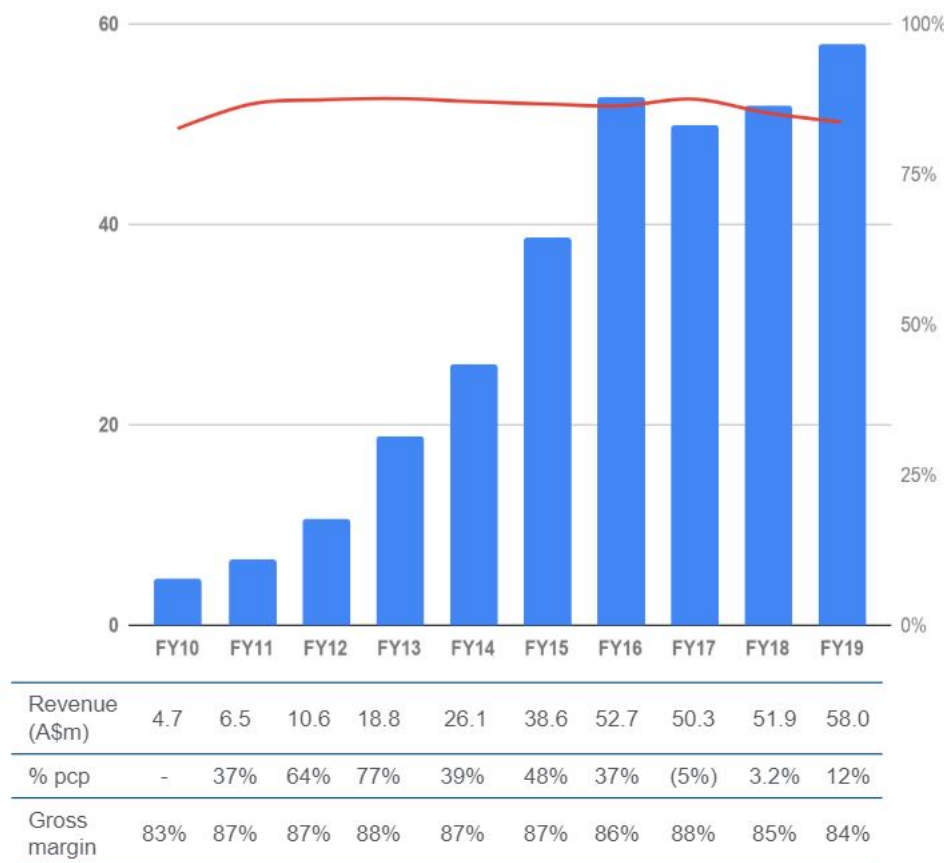


Figure 6: Net revenue and gross margin % by year for the Freelancer Group

Notes:

1. Gross Payment Volume (GPV) is calculated as the total payments to Freelancer or Escrow users for products and services transacted through the Freelancer or Escrow websites plus Net Revenue. Based on Freelancer's unaudited management accounts which have not been subject to an auditor's review.
2. Take rate for the Marketplace segment is 3% employer commission and 10% freelancer commission, which has not changed since 2010.
3. Core Freelancer FY19 GPV of A\$181.4m. Escrow FY19 GPV of US\$422m, average AUD/USD FX of 0.6956= A\$606.3m

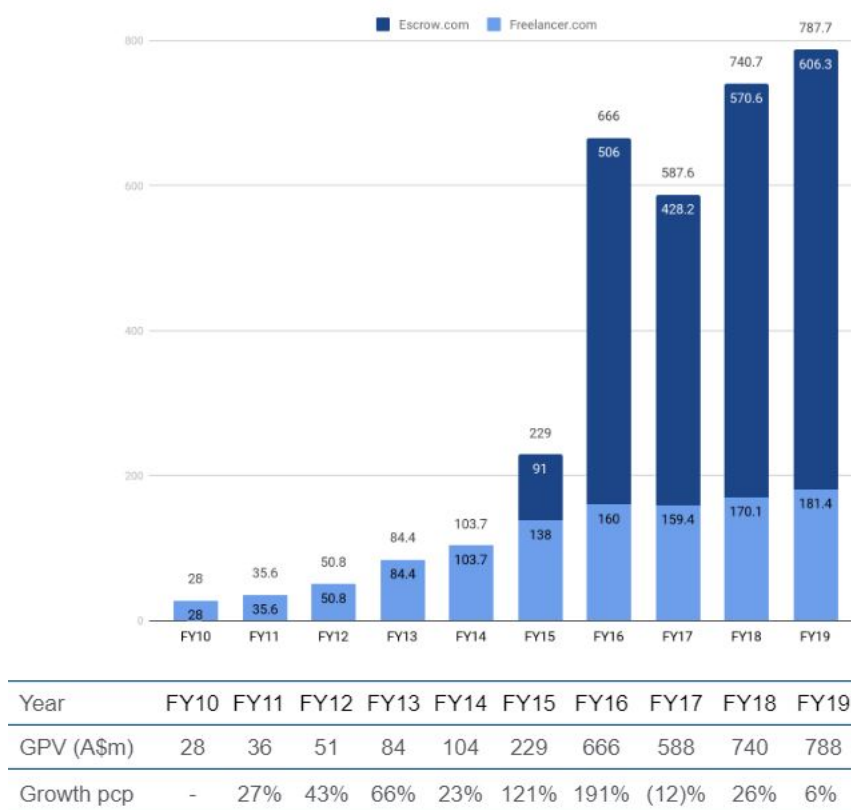


Figure 7: Gross payment volume (GPV) for the Freelancer Group by year

The Company's gross margin of 83.7% in FY19 decreased by 1.8% compared to the previous corresponding period (FY18: 85.2%), but remains within a consistent range since 2011. The Company's cost of sales predominantly consists of transaction costs that are incurred from the various gateways relied upon to process user payments, as well as various provisions taken for credit card chargebacks and fraud risks. Cost of sales also includes direct labour costs incurred in generating enterprise services revenue. The fall in gross margins in FY19 is mainly attributable to lower margins generated from enterprise consulting services.

The Company reported an Operating NPAT (loss) of \$(1.3) million in FY19 (FY18: \$(0.9) million).

Operating NBPT (loss) was \$(1.7) million in FY19 (FY18: \$(1.8) million).

Operating expenses were 10.5% higher than the prior corresponding period. Payroll costs, which represent 45% of operating costs were higher by 10%. Higher costs were substantially attributable to additional resourcing of the enterprise division. As of 31 December 2019, the company had 478 FTE staff (up 4.4% on FY18).

Overall NPAT (loss) was \$(1.6) million in FY19, which included a tax benefit of \$0.1 million (FY18: \$(1.5) million).

Cash Flow and Balance Sheet Strength

The Company posted a positive operating cash flow of \$2.1 million in FY19 up from (FY18 of \$(1.0) million). Operating cash excludes \$3.1 million of lease payments associated with office premises, which have been reflected as finance costs in accordance with AASB 16 Leases.

Trade and other receivables include receivables from various payment gateways in relation to partially completed transactions as well as amounts due from enterprise customers.

As at 31 December 2019, the Company held cash and equivalents of \$32 million and no net debt.

Freelancer Limited

Directors' Report

Dividends paid or recommended

There have been no dividends paid or provided for the financial year ended 31 December 2019 (2018: 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 2019 that has significantly affected, or may significantly affect the Group's operations in future financial years, the results of those operations in future financial years, or the Group's state of affairs in future financial years.

Future developments

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

Environmental regulations

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

Insurance and indemnification of Directors and Officers

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

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

Rounding off of amounts

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

Meetings of Directors

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

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

	Director meetings		Audit Committee meetings		Nomination and Remuneration meetings	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
R.M. Barrie	6	6	2	2	-	-
S.A. Clausen	6	6	2	2	-	-
D.N.J. Williams	6	6	2	2	-	-

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 \$29,000 (2018: \$37,000).

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 21 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit Committee, for the following reasons:

Freelancer Limited Directors' Report

- 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 17 and forms part of the Directors' Report for the year ended 31 December 2019.

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.

New Accounting Standards

The Group adopted AASB 16 Leases on 1 January 2019, resulting in the recognition of right-of-use assets and lease liabilities. Details of the carrying amounts of these items and the related movements during the period are disclosed in Note 13 to the financial statements.

Remuneration Report

This audited Remuneration Report for the Group which forms part of the Directors' Report for the financial year ended 31 December 2019, 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
- 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 (2018:\$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.

Freelancer Limited Directors' Report

	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						
2019	25,000	-	-	-	-	25,000
2018	25,000	-	-	-	-	25,000
D.N.J. Williams						
2019	22,884	-	-	2,174	-	25,058
2018	22,884	-	-	2,174	-	25,058
Executive Directors						
R.M. Barrie						
2019	-	569,096	7,289	25,904	-	602,289
2018	-	569,096	9,257	25,904	-	604,257
Other KMP						
N.L. Katz						
2019	-	317,400	7,023	27,600	93,422	445,445
2018	-	310,200	6,324	34,800	110,820	462,144
Total						
2019	47,884	886,496	14,312	55,678	93,422	1,097,792
2018	47,884	879,296	15,581	62,878	110,820	1,116,459

The remuneration of key management personnel in the years ended 31 December 2019 and 2018 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
2019							
<i>Directors</i>							
R.M. Barrie	-	-	-	-	-	-	-
D.N.J. Williams	-	-	-	-	-	-	-
<i>Other KMP</i>							
N.L. Katz	885,539	-	(200,000)	-	685,539	232,635	452,904
	885,539	-	(200,000)	-	685,539	232,635	452,904
2018							
<i>Directors</i>							
R.M. Barrie	-	-	-	-	-	-	-
D.N.J. Williams	-	-	-	-	-	-	-
<i>Other KMP</i>							
N.L. Katz	885,539	-	-	-	885,539	412,355	473,184
	885,539	-	-	-	885,539	412,355	473,184

Freelancer Limited Directors' Report

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
2019					
<i>Directors</i>					
R.M. Barrie ¹	194,696,431	-	-		194,696,431
S.A. Clausen	160,000,000	-	350,000	-	160,350,000
D.N.J. Williams ²	10,758,165	-	-	-	10,758,165
<i>Other KMP</i>					
N.L. Katz ³	150,000	-	200,000	-	350,000
	365,604,596		550,000	-	366,154,596
2018					
<i>Directors</i>					
R.M. Barrie ¹	194,075,686	-	620,745		194,696,431
S.A. Clausen	159,717,351	-	282,649	-	160,000,000
D.N.J. Williams ²	10,758,165	-	-	-	10,758,165
<i>Other KMP</i>					
N.L. Katz ³	150,000	-	-	-	150,000
	364,701,202		903,394	-	365,604,596

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 Note 24 of the financial statements.

	2019 \$000	2018 \$000
<i>Directors:</i>		
R.M. Barrie	-	-
S.A. Clausen	-	-
D.N.J. Williams	-	-
<i>Other KMP:</i>		
N.L. Katz	828	960
Total loans to Directors and KMP	828	960

¹ 1,279,500 shares as at 31 December 2019 (2018: 1,279,500) are held directly or indirectly by related parties.

² 131,000 shares as at 31 December 2019 (2018: 131,000) are held directly or indirectly by related parties.

³ 40,000 shares as at 31 December 2019 (2018: 40,000) are held directly or indirectly by related parties.

Freelancer Limited Directors' Report

Executive service agreements

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

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

Other transactions with KMP or their related parties

There were no other transactions conducted between the Group and KMP or their related parties, other than those disclosed above relating to equity, compensation and loans, that were conducted other than in accordance with normal employee, customer or supplier relationships on terms no more favourable than those reasonably expected under arm's length dealings with unrelated persons, apart from related party transactions disclosed in Note 25 of the financial statements.

This concludes the Remuneration Report.

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

On behalf of the Directors



Matt Barrie
Chairman

18 February 2020

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

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

SYDNEY

Level 40
2 Park Street
Sydney NSW 2000
Australia
Ph: (612) 9263 2600
Ex: (612) 9263 2800

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Freelancer Limited. As the lead audit partner for the audit of the financial report of Freelancer Limited for the year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

Hall Chadwick

Hall Chadwick
Level 40, 2 Park Street
Sydney NSW 2000

S. Kumar

SANDEEP KUMAR
Partner
Date: 18 February 2020

A Member of PrimeGlobal
An Association of Independent
Accounting Firms



Freelancer Limited
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2019

	Note	2019 \$000	2018 \$000
Revenue	5	58,009	51,851
Cost of sales		(9,455)	(7,651)
Gross profit		48,554	44,200
Employee expenses	6	(22,295)	(20,217)
Administrative expenses		(12,764)	(11,678)
Marketing related expenses		(10,080)	(8,922)
Occupancy expenses	6	(285)	(2,702)
Foreign exchange losses	6	(1,086)	(1,353)
Depreciation and amortisation expenses	6	(3,214)	(530)
Share based payments expense	24	(329)	(558)
Finance costs	6	(219)	(33)
Loss before income tax		(1,718)	(1,793)
Income tax benefit	7	127	309
Loss after tax		(1,591)	(1,484)
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations	19	128	1
Total comprehensive loss for the year		(1,463)	(1,483)
Loss is attributable to:			
Owners of Freelancer Limited		(1,591)	(1,484)
Non-controlling interests		-	-
		(1,591)	(1,484)
Total comprehensive income for the year is attributable to:			
Owners of Freelancer Limited		(1,463)	(1,483)
Non-controlling interests		-	-
		(1,463)	(1,483)
Earnings per share		Cents	Cents
Basic earnings per share	32	(0.35)	(0.33)
Diluted earnings per share	32	(0.35)	(0.33)

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

Freelancer Limited
Consolidated Statement of Financial Position
As at 31 December 2019

	Note	2019 \$'000	2018 \$'000
Assets			
Current assets			
Cash and cash equivalents	8	32,014	33,211
Trade and other receivables	9	4,003	3,474
Other assets	10	1,309	972
Total current assets		37,326	37,657
Trade and other receivables	9	1,103	1,103
Plant and equipment	11	482	557
Intangible assets	12	26,429	26,429
Right of use assets	13	26,964	-
Other assets	10	592	696
Deferred tax assets	7	5,129	4,674
Total non-current assets		60,699	33,459
Total assets		98,025	71,116
Liabilities			
Current liabilities			
Trade and other payables	14	36,607	35,898
Lease liabilities	13	3,248	-
Borrowings	15	121	121
Current tax liabilities	7	57	71
Provisions	16	2,322	1,918
Contract liabilities	17	629	620
Total current liabilities		42,984	38,628
Non-current liabilities			
Deferred tax liabilities	7	443	246
Provisions	16	1,030	639
Lease liabilities	13	23,134	-
Contract liabilities	17	495	528
Total non-current liabilities		25,102	1,413
Total liabilities		68,086	40,041
Net assets		29,939	31,075
Equity			
Contributed equity	18	38,446	38,106
Reserves	19	4,457	4,000
Accumulated losses		(12,984)	(11,051)
Non-controlling interests		20	20
Total equity		29,939	31,075

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

Freelancer Limited
Consolidated Statement of Changes in Equity
For the year ended 31 December 2019

	Note	Attributable to owners of Freelancer Limited					Total Equity
		Contributed Equity	Share Based Payments	Foreign currency translation reserve	(Accumulated losses)	Non-controlling interests	
		\$000	\$000	\$000	\$000	\$000	\$000
Balance at 1 January 2018		38,049	3,824	(383)	(9,567)	-	31,923
Loss for the year		-	-	-	(1,484)	-	(1,484)
Exchange differences on translation of foreign operations	19	-	-	1	-	-	1
Total comprehensive loss for the year		-	-	1	(1,484)	-	(1,483)
Transactions with owners in their capacity as owners:							
Contributions of equity arising from repayment of ESP loans	18	57	-	-	-	-	57
Share capital contributed by non-controlling interests	-	-	-	-	-	20	20
Share based payments	24	-	558	-	-	-	558
Balance at 31 December 2018		38,106	4,382	(382)	(11,051)	20	31,075

	Note	Attributable to owners of Freelancer Limited					Total Equity
		Contributed Equity	Share Based Payments	Foreign currency translation reserve	(Accumulated losses)	Non-controlling interests	
		\$000	\$000	\$000	\$000	\$000	\$000
Balance at 1 January 2019		38,106	4,382	(382)	(11,051)	20	31,075
Cumulative adjustment upon change in accounting policies – AASB 16 Leases		-	-	-	(342)	-	(342)
Balance at 1 January 2019 restated		38,106	4,382	(382)	(11,393)	20	30,733
Loss for the year		-	-	-	(1,591)	-	(1,591)
Exchange differences on translation of foreign operations	19	-	-	128	-	-	128
Total comprehensive loss for the year		-	-	128	(1,591)	-	(1,463)
Transactions with owners in their capacity as owners:							
Contributions of equity arising from repayment of ESP loans	18	340	-	-	-	-	340
Share based payments	24	-	329	-	-	-	329
Balance at 31 December 2019		38,446	4,711	(254)	(12,984)	20	29,939

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

Freelancer Limited
Consolidated Statement of Cash Flows
For the year ended 31 December 2019

	Note	2019 \$000	2018 \$000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		56,972	51,296
Payments to suppliers and employees (inclusive of GST)		(54,668)	(52,317)
Interest received		38	22
Interest paid		(195)	-
Income taxes paid		(91)	20
Net cash inflow / (outflow) from operating activities	31	2,056	(979)
Cash flows from investing activities			
Payments for plant and equipment		(226)	(83)
Payments for intangible assets		(1)	(52)
Proceeds from disposal of plant and equipment		-	23
Proceeds from goodwill adjustment on acquisition of Nubelo		-	86
Net cash (outflow) from investing activities		(227)	(26)
Cash flows from financing activities			
Contributions of equity arising from repayment of ESP loans	18	340	57
Repayment of lease liabilities		(3,091)	-
Proceeds from borrowings	15	-	121
Net cash (outflow) / inflow from financing activities		(2,751)	178
Net (decrease) in cash and cash equivalents		(922)	(827)
Cash and cash equivalents at beginning of the financial year		33,211	31,908
Effects of exchange rate changes on cash and cash equivalents		(275)	2,130
Cash and cash equivalents at end of year	8	32,014	33,211

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

Freelancer Limited
Notes to the financial statements
For the financial year ended 31 December 2019

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Freelancer Limited

Notes to the financial statements

For the financial year ended 31 December 2019

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 2019 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 18 February 2020.

2. Basis of preparation

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

The Directors believe that there are reasonable grounds that the company is able to pay its debts as and when they fall due. The Group has a significant cash balance at year end and has projected a profitable financial year for the period ending 31 December 2020 based on increased revenue and a planned reduction in expenses.

(a) Compliance with International Financial Reporting Standards

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

(b) Historical cost convention

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

(c) Functional and presentation currency

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

(d) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 33(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) New Accounting Standards

i. AASB 16: Leases

The Group has adopted AASB 16 Leases. Note 13 describes the nature and effect of the adoption of AASB 16: Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019, where they are different to those applied in prior periods.

(h) 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.

Freelancer Limited
Notes to the financial statements
For the financial year ended 31 December 2019

3. Financial risk management

Financial risk management policies

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

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

The Group holds the following financial instruments:

	Note	2019 \$000	2018 \$000
Financial Assets			
Cash and cash equivalents	8	32,014	33,211
Trade and other receivables	9	5,106	4,577
Total financial assets		37,120	37,788
Financial Liabilities			
Trade and other payables	14	36,607	35,898
Lease liabilities	13	26,382	-
Total financial liabilities		62,989	35,898

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.

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

Freelancer Limited

Notes to the financial statements

For the financial year ended 31 December 2019

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:

2019

Currency exposure:	AUD	USD	NZD	GBP	HKD	SGD	PHP	EUR	CAD	INR	Other
Denominated in:	AUD 000's	USD 000's	NZD 000's	GBP 000's	HKD 000's	SGD 000's	PHP 000's	EUR 000's	CAD 000's	INR 000's	AUD 000's
Cash	2,403	15,565	108	858	882	359	18,850	1,393	975	58,328	255
Trade receivables	1,339	1,705	26	144	279	27	1,021	298	201	21,287	278
Other financial assets	1,037	109	-	9	-	-	14,284	-	19	99	-
Payables	(854)	(1,990)	-	(24)	-	(19)	(3,390)	-	(13)	(1,552)	(13)
User obligations	(2,222)	(15,093)	(173)	(1,059)	(984)	(292)	(2,676)	(2,438)	(840)	(50,767)	(473)
Net exposure	1,703	296	(39)	(72)	177	75	28,089	(747)	342	27,395	47

Freelancer Limited
Notes to the financial statements
For the financial year ended 31 December 2019

2018

Currency exposure:	AUD	USD	NZD	GBP	HKD	SGD	PHP	EUR	CAD	INR	Other
Denominated in:	AUD 000's	USD 000's	NZD 000's	GBP 000's	HKD 000's	SGD 000's	PHP 000's	EUR 000's	CAD 000's	INR 000's	AUD 000's
Cash	2,619	16,501	116	1,073	767	275	21,168	1,292	750	51,287	161
Trade receivables	1,075	1,381	23	184	224	72	968	262	139	16,436	356
Other financial assets	656	164	-	8	-	-	21,959	-	4	93	-
Payables	(697)	(1,681)	-	(5)	-	(5)	(1,994)	-	-	(633)	(28)
User obligations	(2,097)	(15,704)	(160)	(1,005)	(896)	(314)	(3,078)	(2,176)	(779)	(40,310)	(540)
Net exposure	1,556	661	(21)	255	95	28	39,023	(622)	114	26,873	(51)

The Group had net assets of \$705,000 denominated in foreign currencies as at 31 December 2019 (comprising assets of \$34,751,000 less liabilities of \$34,046,000). The Group had net assets of \$2,084,000 denominated in foreign currencies as at 31 December 2018 (comprising assets of \$35,160,000 less liabilities of \$33,076,000)

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 2019. 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:

		2019 \$000		2018 \$000	
		High	Low	High	Low
AUD to USD	(Range +5% to -5%)	35	(39)	(45)	49
AUD to NZD	(Range +5% to -5%)	2	(2)	1	(1)
AUD to GBP	(Range +5% to -5%)	22	(24)	(22)	24
AUD to HKD	(Range +5% to -5%)	(2)	2	(1)	1
AUD to SGD	(Range +5% to -5%)	(4)	4	(1)	2
AUD to PHP	(Range +5% to -5%)	(52)	58	(50)	56
AUD to EUR	(Range +5% to -5%)	56	(62)	48	(53)
AUD to CAD	(Range +5% to -5%)	(7)	7	(6)	6
AUD to INR	(Range +5% to -5%)	(26)	29	(26)	29
Net movement		24	(27)	(102)	113

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 2019 the Group had \$32,014,000 (2018: \$33,211,000) 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.

Freelancer Limited

Notes to the financial statements

For the financial year ended 31 December 2019

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
2019						
Non-derivatives						
<i>Non-interest bearing</i>						
Trade and other payables	14	36,607	-	-	-	-
Lease liabilities	13	3,248	5,652	14,308	3,174	-
		39,855	5,652	14,308	3,174	-
	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
2018						
Non-derivatives						
<i>Non-interest bearing</i>						
Trade and other payables	14	35,898	-	-	-	-
		35,898	-	-	-	-

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

4. Operating segments

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

Identification of reportable operating segments

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

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

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

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

Freelancer Limited
Notes to the financial statements
For the financial year ended 31 December 2019

Year end 31 December 2019	Online Marketplace	Online Payments	Total
Segment revenue			
Segment revenue	50,446	7,563	58,009
Total segment revenue	50,446	7,563	58,009
Segment result			
Segment profit / (loss)	1,921	(96)	1,825
Share based payments	(329)	-	(329)
Depreciation and amortisation expenses	(2,984)	(230)	(3,214)
Loss before income tax	(1,392)	(326)	(1,718)
Income tax benefit	-	-	127
Loss for year			(1,591)
Segment Assets At 31 December 2019			
	Online Marketplace	Online Payments	Total
Segment assets	65,405	5,577	70,982
Intergroup eliminations	(2,898)	-	(2,898)
Deferred tax assets	-	-	5,128
Intangibles	-	-	25,028
Total assets	62,507	5,577	98,240
Segment liabilities At 31 December 2019			
Segment liabilities	(66,183)	(4,574)	(70,757)
Intergroup eliminations	-	2,898	2,898
Deferred tax liabilities	-	-	(443)
Total liabilities	(66,183)	(1,676)	(68,302)
Year end 31 December 2018			
	Online Marketplace	Online Payments	Total
Segment revenue			
Segment revenue	44,667	7,184	51,851
Total segment revenue	44,667	7,184	51,851
Segment result			
Segment (loss) / profit	(1,248)	543	(705)
Share based payments			(558)
Depreciation and amortisation expenses			(530)
Loss before income tax			(1,793)
Income tax benefit			309
Loss for year			(1,484)

Freelancer Limited
Notes to the financial statements
For the financial year ended 31 December 2019

Segment Assets At 31 December 2018	Online Marketplace	Online Payments	Total
Segment assets	40,351	6,385	46,736
Intergroup eliminations	(5,322)	-	(5,322)
Deferred tax assets	-	-	4,674
Intangibles	-	-	25,028
Total assets	35,029	6,385	71,116
Segment liabilities At 31 December 2018			
Segment liabilities	(37,984)	(7,133)	(45,117)
Intergroup eliminations	-	5,322	5,322
Deferred tax liabilities	-	-	(246)
Total liabilities	(37,984)	(1,812)	(40,041)

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 services

The Group enters into short-term contracts with customers for marketplace services. Such contracts are entered into before the delivery of the service which is paid in advance of receipt of the service. The performance obligation is the delivery of the service which is recognised by the system controls. The system does not draw fees from the customer until the delivery of the service. Therefore, revenue is recognised at a point in time upon delivery of the service when the system recognizes that the service has completed. No rebates or volume discounts are provided to customers.

Payment services

The Group enters into both long-term and short-term contracts with customers for payment services. In respect of long-term contracts, revenue is recognised over the period of the contract. In respect of short-term contracts, revenue is recognised by reference to stage of completion of the services as this is consistent to the pattern of performance obligation i.e. availability of the open transaction to be executed progressively in the future and on the Escrow.com platform

Enterprise Services

The enterprise services revenue stream focuses on projects negotiated with customers to meet their needs on short to long-term contracts. Revenue is recognised when milestones as determined in the contract are completed. Under AASB 15: Revenue from Contracts with Customers, this happens over time. The Group has an enforceable right to payment for work completed to date and therefore, revenue is recognised over time. The Group considers the cost-to-cost method an appropriate measure of progress for the completion of the performance obligation. The cost-to-cost method is based on the proportion of costs incurred for work performed to date relative to the estimated total contract costs.

A customer is billed for the project services when a certain series of milestones have been achieved. A contract asset is recognised for revenue recognised but not yet billed due to the milestone billing arrangement. Once an invoice is issued, the corresponding contract asset is reclassified to trade receivables. A contract liability is recognised if the milestone payment exceeds the revenue recognised to date under the cost-to-cost method. No significant financing components have been identified in the contracts with customers, as the period between the payment and the recognition of revenue (cost-to-cost method) is always less than 12 months.

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.

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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. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs it is compensating.

All revenue is stated net of the amount of goods and services tax (GST) and Valued Added Tax (VAT). The timing of revenue recognition is when the products and services are transferred to customers.

	2019 \$000	2018 \$000
Sales revenue		
Marketplace and payment services	45,171	43,901
Payment services	7,563	7,184
Enterprise services	5,177	590
Other revenue		
Interest income	39	26
Government grants	-	72
Other	59	78
Total revenue	58,009	51,851

6. Expenses

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

	2019 \$000	2018 \$000
<i>Employee expenses</i>		
Wages and salaries (including superannuation)	21,035	18,587
Other employment costs	2,331	1,883
Total employee expenses ¹	23,366	20,470
<i>Depreciation and amortization</i>		
Plant and equipment	282	416
Right of use assets ²	2,909	-
Leasehold improvements	23	114
Total depreciation and amortisation expenses	3,214	530
<i>Rental expense relating to operating leases ²</i>		
Minimum lease payments	-	2,413
Utilities and other related costs	285	289
Total rental expense relating to operating leases	285	2,702
Net foreign exchange losses	1,086	1,353
<i>Finance costs</i>		
Interest expense	24	33
Interest expense on lease liability ²	195	-

¹ Inclusive of employee expenses included in cost of sales

² In FY19 lease expenses in respect of office leases have been accounted for in accordance with AASB 16 Leases. The impact is that lease expenses are no longer reflected in the P&L and are brought into account as depreciation on the right of use asset and interest paid on the corresponding lease liability. The FY18 comparatives have not been restated.

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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.

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	2019	2018
	\$000	\$000
(a) Income tax		
Current tax	107	90
Deferred tax	(234)	(399)
Income tax (benefit)	(127)	(309)
Deferred income tax expense included in income tax benefit comprises:		
Decrease / (Increase) in deferred tax assets	333	(646)
(Decrease) / Increase in deferred tax liability	(567)	237
Total deferred income tax	(234)	(409)
(b) Numerical reconciliation of income tax benefit to prima facie income tax payable		
Loss from ordinary activities before income tax expense	(1,718)	(1,793)
Tax at the Australian rate of 30%	(515)	(538)
Tax effect amounts which are not deductible / (taxable) in calculating taxable income:		
R&D tax incentive	(26)	(53)
Difference in tax rate	115	46
Share based payments	99	168
Under provision in prior years	31	16
Future benefit of foreign losses	117	(73)
Timing differences not recognized as deferred tax asset	22	(97)
Other non-allowable items	30	220
Income tax (benefit)	(127)	(311)
(c) Amounts recognised directly in equity		
Deferred tax associated with capital raising	-	28
(d) Deferred tax assets		
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Employee benefits	303	311
Provision for user disputes & refunds	175	77
Prepayments	(9)	(9)
Legal fees	-	22
Foreign exchange losses	285	603
Provision for impairment of receivables	1,063	829
Audit fees	46	82
Lease liabilities	398	-
Future benefit of tax losses	2,492	2,199
Future benefit of foreign tax losses	376	532
Total amounts recognised in profit or loss	5,129	4,646
Amounts recognised directly in equity:		
Capital raising costs	-	28
Total amounts recognised in equity	-	28
Net deferred tax assets	5,129	4,674

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Movements:

Opening balance at beginning of year	4,674	4,003
Opening balance adjustment upon change in accounting policies – AASB 16	788	-
(Debited) / Credited to the profit or loss statement	(333)	646
Exchange differences	-	25
Closing balance at end of year	5,129	4,674

(e) Deferred tax liabilities

The balance comprises temporary differences attributable to:

Foreign exchange gains	135	241
Right of use assets	308	-
Fixed assets	-	5
Net deferred tax liabilities	443	246

Movements:

Opening balance at beginning of year	246	5
Opening balance adjustment upon change in accounting policies – AASB 16	764	-
(Debited) / Credited to the profit or loss statement	(567)	237
Exchange differences	-	4
Closing balance at end of year	443	246

(f) Current tax assets

Current tax assets	-	-
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(g) Current tax liabilities

Current tax liabilities	57	71
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(h) Franking credits

Franking credits available at the reporting date based on a tax rate of 30%	66	66
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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.

	2019	2018
	\$000	\$000
Current		
Cash at bank and on hand	31,210	32,407
Term deposits	804	804
Total cash and cash equivalents	32,014	33,211

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.

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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.

The Group applies the simplified approach to providing for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowance provision as at 31 December 2019 is determined as follows; the expected credit losses also incorporate forward-looking information.

The "amounts written off" are all due to customers declaring bankruptcy, or term receivables that have now become unrecoverable.

	2019	2018
	\$000	\$000
Current		
Trade receivables	5,725	3,743
Payment gateway receivables	1,704	2,545
Less: provisions for impairment of receivables	(3,543)	(2,814)
Current trade receivables net of provisions for impairment	3,886	3,474
Other receivables	117	-
Total current trade and other receivables	4,003	3,474
Non-Current		
Payment gateway receivables	1,103	1,103
Total trade and other receivables	5,106	4,577

(a) Provision for impaired trade receivables

Opening balance	2,814	2,331
Increase in provisions for impairment during the year	737	209
Exchange differences	(8)	274
Closing balance	3,543	2,814

(b) Ageing of current trade receivables

1 – 30 days	2,685	3,187
31 – 60 days	769	394
61 – 90 days	862	256
90+ days	3,113	2,451
Provision for impairment	(3,543)	(2,814)
Total trade receivables net of provision for impairment	3,886	3,474

(c) Expected losses

	1 – 30 days \$000	31 – 60 days \$000	61 – 90 days \$000	90+ days \$000	Total \$000
2019					
Expected loss rate	1.02%	0.28%	0.45%	82.73%	84.48%
Gross carrying amount	27	2	4	2,575	2,608
Loss allowing provision	27	2	4	2,575	2,608

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	1 – 30 days \$000	31 – 60 days \$000	61 – 90 days \$000	90+ days \$000	Total \$000
2018					
Expected loss rate	-	-	-	91.8%	91.8%
Gross carrying amount	-	-	-	2,250	2,250
Loss allowing provision	-	-	-	2,250	2,250

10. Other assets

	2019 \$000	2018 \$000
Current		
Prepayments	1,292	969
Other	17	3
Total current other assets	1,309	972
Non-current		
Security deposits	592	696
Total non-current other assets	592	696
Total other assets	1,901	1,668

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.

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	2019 \$000	2018 \$000
Non-current		
Office and computer equipment – at cost	2,619	2,406
Accumulated depreciation	(2,166)	(1,925)
Carrying value of office and computer equipment	453	481
Fixtures and fittings – at cost	527	507
Accumulated depreciation	(499)	(456)
Carrying value of fixtures and fittings	28	51
Software – at cost	19	19
Accumulated depreciation	(19)	(18)
Carrying value of software	-	1
Leasehold improvements – at cost	768	753
Accumulated amortization	(767)	(729)
Carrying value of leasehold improvements	1	24
Total carrying value of plant and equipment	482	557

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	Software \$000	Leasehold improvements \$000	Total \$000
Balance at 1 January 2018	759	100	3	51	913
Additions	81	3	-	90	174
Disposals	-	-	-	-	-
Depreciation and amortization	(359)	(52)	(2)	(117)	(530)
Balance at 31 December 2018	481	51	1	24	557
Additions	217	12	-	-	230
Disposals	-	-	-	-	-
Depreciation and amortization	(245)	(35)	(1)	(23)	(305)
Balance at 31 December 2019	453	28	-	1	482

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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.

	2019 \$000	2018 \$000
Non Current		
Domain names – at cost	4,910	4,910
Accumulated impairment	(28)	(28)
Carrying value of domain names	4,882	4,882
Intellectual property – at cost	2,198	2,198
Accumulated impairment	-	-
Carrying value of domain names	2,198	2,198
Goodwill	19,349	19,349
Accumulated impairment	-	-
Carrying value of goodwill	19,349	19,349
Total carrying value of intangible assets	26,429	26,429

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 2018	4,849	2,198	19,395	26,442
Additions	33	-	40	73
Adjustment to goodwill from acquisition	-	-	(86)	(86)
Impairment	-	-	-	-
Amortisation	-	-	-	-
Balance at 31 December 2018	4,882	2,198	19,349	26,429

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	Domain names \$000	Intellectual property \$000	Goodwill \$000	Total \$000
Additions	-	-	-	-
Impairment	-	-	-	-
Amortisation	-	-	-	-
Balance at 31 December 2019	4,882	2,198	19,349	26,429

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

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

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

	2019 \$000	2018 \$000
Online marketplace	14,780	14,780
Online payments	11,649	11,649
Total	26,429	26,429

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

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

	CAGR Rate	Discount Rate
Online marketplace	11%	15%
Online payments	16%	15%

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

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

13. Leases

(a) Leases

The Group as lessee

At inception of a contract, the Group assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability are recognised by the Group where the Group is a lessee. However, all contracts that are classified as short-term leases (ie leases with a remaining term of 12 months or less) and leases of low value assets are recognised as operating expenses on a straight-line basis over the term of the lease.

Initially the lease liability is measured at the present value of the lease payments still to be paid at the commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate.

Lease payments included in the measurement of the lease liability is as follows:

- fixed lease payments less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, any lease payments made at or before the commencement day and any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest.

Where a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

(b) Initial Application of AASB 16: Leases

The Group has adopted AASB 16: Leases retrospectively from 1 January 2019. In accordance with AASB 16.C7 the comparatives for the 2018 reporting period have not been restated.

The Group has recognised a lease liability and right-of-use asset for all leases recognised as operating leases under *AASB 117: Leases where the Group is the lessee*.

Lease liabilities are shown at the present value of the remaining lease payments. The Group's incremental borrowing rate as at 1 January 2019 has been used to discount the lease payments.

The following practical expedients have been used by the Group in applying AASB 16 for the first time:

- For a portfolio of leases that have reasonably similar characteristics, a single discount rate has been applied.
- Leases that have remaining lease term of less than 12 months as at 1 January 2019 have been accounted for in the same way as short-term leases.
- The use of hindsight to determine lease terms on contracts that have options to extend or terminate.
- Applying AASB 16 to leases previously identified as leases under AASB 117: Leases and Interpretation 4: Determining whether an arrangement contains a lease without reassessing whether they are, or contain, a lease at the date of initial application.
- Not applying AASB 16 to leases previously not identified as containing a lease under AASB 117 and Interpretation 4.

The difference is \$762,754 between the lease liability (\$4,287,259) as at 1 January 2019 and the discounted operating lease commitments as at 31 December 2018 (\$3,524,505).

The difference between the undiscounted amount of operating lease commitments at 31 December 2018 of \$3,810,695 and the discounted operating lease commitments as at 1 January 2019 of \$3,524,505 was \$286,190 which is due to discounting the operating lease commitments at the Group's incremental borrowing rate.

The Group's lease portfolio comprises commercial leases for office property. As at 31 December 2019 these leases had remaining lives ranging from 2.5 months up to 90 months.

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Options to Extend or Terminate

The options to extend or terminate are contained in several of the Group's property leases. These clauses provide the Group opportunities to manage leases in order to align with its strategies. All of the extension or termination options are only exercisable by the Group. The extension options or termination options which were probable to be exercised have been included in the calculation of the right-of-use asset.

(i) AASB 16 related amounts recognised in the balance sheet

	2019 \$000	2018 \$000
Right of use assets		
Leased office property:		
Opening balance	-	-
Addition to right-of-use asset	29,845	-
Depreciation expense for the year ended	(2,909)	-
Exchange differences	28	-
Net carrying amount	26,964	-
Lease liabilities		
Current	3,248	-
Non – current	23,134	-
Total	26,382	-

(ii) AASB 16 related amounts recognised in the statement of profit or loss

	2019 \$000	2018 \$000
Depreciation charge related to right-of-use assets	2,909	-
Interest expense on lease liabilities (under finance costs)	195	-

(iii) AASB 16 related amounts recognised as cash outflows in the statement of cash

Interest expense on lease liabilities (under finance costs)	195	-
Repayment of lease liabilities	3,091	-

14. 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.

	2019 \$000	2018 \$000
Current		
Trade payables	3,155	2,491
Sundry payables and accrued expenses	785	730
User obligations	32,667	32,677
Total trade and other payables	36,607	35,898

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15. Borrowings

	2019 \$000	2018 \$000
Current		
Working capital loan	121	121
Total borrowings	121	121

This loan has been provided from non-controlling shareholders of Freightlancer Holdings Pty Limited to provide working capital funding. The loan is unsecured, interest free and has no fixed date of repayment.

16. 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.

	2019 \$000	2018 \$000
Current		
Provision for user disputes and refunds	584	256
Employee benefits	1,265	1,012
Provision for indirect taxes	103	252
Provision for penalties*	370	398
Total current provisions	2,322	1,918
Non-current		
Make-good provisions	720	300
Employee benefits	310	339
Total non-current provisions	1,030	639
Total provisions	3,352	2,557

*At the time of the acquisition of the Escrow.com business in November 2015, it held eight money transmission and/or escrow licences in the US. After the acquisition, the Company has pursued an aggressive program of applying for money transmission and/or escrow licenses in the remaining states in the US. At 31 December 2019, Forty three licences were in place. As part of this process, in FY19 the division incurred one-off regulatory penalties of nil (FY18: \$0.8 million) for unlicensed activity (substantially pre- acquisition). In addition, the Company has further made provision of \$0.4 million as an estimate of probable penalties.

Movements

	Provision for User Disputes/ Refunds	Provision for Indirect Taxes	Employee Benefits	Provision for Penalties	Provision for Make- good	Total Provisions
	\$000	\$000	\$000	\$000	\$000	\$000
Balance at 1 January 2018	192	-	1,174	897	266	2,529
Additional provisions	81	248	591	313	41	1,274
Amounts used	-	-	(227)	(829)	-	(1,056)
Unused amounts reversed	(41)	-	(208)	(80)	(17)	(346)
Foreign exchange differences	24	4	21	97	10	156
Balance at 31 December 2018	256	252	1,351	398	300	2,557

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Balance at 1 January 2019	256	252	1,351	398	300	2,557
Additional provisions	482	270	864		994	2,610
Amounts used	(57)	(353)	(409)			(819)
Unused amounts reversed	(86)	-	(244)	(28)	(579)	(937)
Foreign exchange differences	(11)	(66)	13		5	(59)
Balance at 31 December 2019	584	103	1,575	370	720	3,352

17. Contract liabilities

Refer to Note 5 for the accounting policy on marketplace and payment services revenue recognition policy. Revenue is recognised when these conditions are met.

	2019	2018
	\$000	\$000
Amounts received in advance of delivery for services	1,124	1,148
Total contract liabilities	1,124	1,148
Current	629	620
Non-current	495	528
	1,124	1,148

There were no significant changes in the contract liability balances during the 2019 year.

18. Contributed equity

(a) Share capital

	Note	2019	2018	2019	2018
		Number	Number	\$000	\$000
Ordinary shares					
Fully paid	18(b)	452,756,722	455,197,935	38,446	38,106
Total share capital				38,446	38,106

(b) Movements in ordinary share capital

Reconciliation to 31 December 2018	Number of shares	Average price	\$000
Balance at 1 January 2018	456,835,488		38,049
Issue / (cancellation) of ordinary shares:			
Issue of ESP shares ¹	1,115,150	\$0.54	-
Buy-back and cancellation of ESP shares	(2,752,703)	\$1.06	-
Contributed equity arising from repayment of ESP loans	-	-	57
Balance at 31 December 2018	455,197,935		38,106
Reconciliation to 31 December 2019	Number of shares	Average price	\$000
Balance at 1 January 2019	455,197,935		38,106
Issue / (cancellation) of ordinary shares:			
Issue of ESP shares ¹	520,560	\$0.71	-
Buy-back and cancellation of ESP shares	(2,961,773)	\$0.95	-
Contributed equity arising from repayment of ESP loans	-	-	340
Balance at 31 December 2019	452,756,722		38,446

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(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 24.

(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 2018 Annual Report.

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.

19. Equity – reserves

a) Movements

	2019	2018
	\$000	\$000
Share based payment reserve movements		
Balance at the beginning of the period	4,382	3,824
Share based payment expense	329	558
Balance at the end of the period	4,711	4,382
Foreign currency translation reserve movements		
Balance at the beginning of the period	(382)	(383)
Currency translation differences arising during the period	128	1
Balance at the end of the period	(254)	(382)
Total reserves	4,457	4,000

(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.

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20. Key management personnel disclosures

(a) Directors

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

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

(b) Other key management personnel

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

Mr Neil Leonard Katz – Chief Financial Officer and Company Secretary

(c) Key management personnel compensation

	2019	2018
	\$000	\$000
Short-term employee benefits	949	943
Share based employee benefits	93	111
Other long-term benefits	56	62
Total benefits	1,098	1,116

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.

21. 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:

	2019	2018
	\$000	\$000
(a) Hall Chadwick		
<i>Audit and other assurance services</i>	119	113
Audit and review of financial reports	2	2
<i>Taxation services</i>		
Tax compliance services, including review of Company income tax returns	29	37
Total remuneration of Hall Chadwick	150	152
(b) Audit firms other than Hall Chadwick		
<i>Audit and other assurance services</i>		
Audit and review of financial reports	62	32

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Taxation services

Tax compliance services, including review of subsidiary income tax returns	22	8
<i>Other non-audit services</i>		
Accounting services	104	-
Total remuneration of audit firms other than Hall Chadwick	188	40
Total auditors' remuneration	338	192

22. Contingent liabilities

Except for the items listed below, there are no other contingent liabilities as at 31 December 2019:

- a collateral amount of USD450,000 (2018: USD100,000) is in place in one of the Group's PayPal accounts in favour of PayPal Australia Pty Ltd;
- term deposits of \$76,852 (2018: \$76,822) are secured for corporate credit card facilities in place;
- deposits of \$1,177,000 (2018: \$1,200,000) 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 (2018: \$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 nil (2018: 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 USD94,000 (2018: USD104,000), which is held as a reserve to satisfy escrow regulatory requirements in respect of credit card transactions.

23. 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 are accounted for in accordance with AASB 16 Leases and are brought into account as depreciation on the right of use asset and interest paid on the corresponding lease liability. In 2018 rentals paid under operating leases were charged to the income statement on a straight line basis over the period 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 2019 these leases had remaining lives ranging from 2.5 months up to 90 months. Lease expenses in respect of office leases have been accounted for in accordance with AASB 16 Leases and are brought into account as depreciation on the right of use asset and interest paid on the corresponding lease liability. In 2018 rentals paid under operating leases were 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:

	2019 \$000	2018 \$000
Less than one year	-	2,626
Between one and five years	-	1,185
More than five years	-	-
Total operating lease commitments	-	3,811

(b) Non-cancellable operating services

The Group has entered into a commercial agreement for web hosting services with an annual fee commitment for 2 years commencing on 1 January 2020 (2018: 1 January 2018). Fees paid under this agreement are charged to the income statement on a usage basis over the period of the agreement. This commitment is fixed in USD. The future minimum fee commitment under this agreement has been calculated using the spot exchange rate at 31 December 2019 and may be subject to variation due to changes in exchange rates. The amounts are as follows:

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	2019 \$000	2018 \$000
Less than one year	4,264	5,657
Between one and five years	4,264	-
More than five years	-	-
Total operating service commitments	8,528	5,657

(c) Other capital commitments

There were no other capital commitments as at 31 December 2019

24. 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).

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- 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.

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(a) ESP share grants

Set out below are summaries of ESP shares granted, issued and that have balances or movement during the year under the plan:

Grant date	Issue price	Balance at the start of the year	Granted / issued	Released from restrictions	Forfeited / cancelled	Balance at the end of the year	Balance of unvested ESP shares	Balance of vested ESP shares
2019								
20 February 2015	\$0.66	940,000	-	(425,000)	(515,000)	-	-	-
10 April 2015	\$1.01	200,000	-	-	(200,000)	-	-	-
3 June 2015	\$1.08	150,000	-	-	(150,000)	-	-	-
12 August 2015	\$1.40	560,000	-	-	(560,000)	-	-	-
15 October 2015	\$1.45	200,000	-	-	(200,000)	-	-	-
24 November 2015	\$1.76	75,000	-	-	(25,000)	50,000	-	50,000
21 December 2015	\$1.76	100,000	-	-	(100,000)	-	-	-
7 March 2016	\$1.53	30,000	-	-	-	30,000	7,500	22,500
26 April 2016	\$1.38	50,000	-	-	-	50,000	12,500	37,500
22 June 2016	\$1.55	-	-	-	-	-	-	-
27 July 2016	\$1.59	440,539	-	-	-	440,539	110,135	330,404
4 November 2016	\$1.34	330,000	-	-	(230,000)	100,000	40,000	60,000
30 October 2017	\$0.48	-	-	-	-	-	-	-
8 December 2017	\$0.52	756,007	-	(78,382)	(171,773)	505,852	270,431	235,421
19 December 2017	\$0.52	825,000	-	(15,000)	(810,000)	-	-	-
2 March 2018	\$0.40	15,150	-	-	-	15,150	-	15,150
18 October 2018	\$0.53	1,000,000	-	(20,000)	-	980,000	902,000	78,000
12 November 2018	\$0.65	100,000	-	-	-	100,000	90,000	10,000
20 February 2019	\$0.53	-	407,226	-	-	407,226	407,226	-
6 May 2019	\$0.65	-	113,334	-	-	113,334	113,334	-
Total		5,771,696	520,560	(538,382)	(2,961,773)	2,792,101	1,953,126	838,975
2018								
20 February 2015	\$0.66	1,000,000	-	(10,000)	(50,000)	940,000	39,587	900,413
10 March 2015	\$0.77	1,250,000	-	-	(1,250,000)	-	-	-
10 April 2015	\$1.01	250,000	-	-	(50,000)	200,000	16,668	133,332
3 June 2015	\$1.08	150,000	-	-	-	150,000	60,000	90,000
12 August 2015	\$1.40	735,000	-	-	(175,000)	560,000	224,000	336,000
15 October 2015	\$1.45	375,000	-	-	(175,000)	200,000	80,000	120,000
24 November 2015	\$1.76	75,000	-	-	-	75,000	30,000	45,000
21 December 2015	\$1.76	100,000	-	-	-	100,000	40,000	60,000
7 March 2016	\$1.53	30,000	-	-	-	30,000	15,000	15,000
26 April 2016	\$1.38	70,000	-	-	(20,000)	50,000	25,000	25,000
22 June 2016	\$1.55	300,000	-	-	(300,000)	-	-	-
27 July 2016	\$1.59	765,539	-	-	(325,000)	440,539	220,270	220,269
4 November 2016	\$1.34	530,000	-	-	(200,000)	330,000	195,000	135,000
30 October 2017	\$0.48	50,000	-	-	(50,000)	-	-	-
8 December 2017	\$0.52	835,928	-	(22,218)	(57,703)	756,007	588,117	167,890
19 December 2017	\$0.52	1,000,000	-	(75,000)	(100,000)	825,000	810,000	15,000
2 March 2018	\$0.40	-	15,150	-	-	15,150	-	15,150
18 October 2018	\$0.53	-	1,000,000	-	-	1,000,000	1,000,000	-
12 November 2018	\$0.65	-	100,000	-	-	100,000	100,000	-
Total		7,516,467	1,115,150	(107,218)	(2,752,703)	5,771,696	3,443,642	2,378,054

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

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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 \$0.27 per option (2018: \$0.27). 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.

25. 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 28.

(c) Transactions with key management personnel

Disclosures relating to key management personnel are set out in Note 20 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.

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26. 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.

	2019	2018
	\$000	\$000
<i>Statement of comprehensive income</i>		
Loss after tax	(655)	(564)
Total comprehensive loss	(655)	(564)
<i>Statement of financial position</i>		
Current assets	3,619	3,575
Non-current assets	33,224	33,144
Total assets	36,843	36,719
Current liabilities	112	2
Total liabilities	112	2
Net assets	36,731	36,717
Contributed equity	38,446	38,106
Reserves	4,712	4,382
Accumulated losses	(6,427)	(5,771)
Total equity	36,731	36,717

Contingent liabilities

The parent entity had no contingent liabilities at 31 December 2019 and 31 December 2018.

Capital commitments

The parent entity had no capital commitments as at 31 December 2019 and 31 December 2018.

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.

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27. 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.

28. 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 33:

Assurance with the accounting policy described in Note 6c.

Name of entity	Country of Incorporation	Percentage Owned (%)	
		2019	2018
<u>Subsidiaries of Freelancer Limited:</u>			
Freelancer International Pty Ltd	Australia	100	100
Freelancer Technology Pty Ltd	Australia	100	100
Freelancer India Pty Ltd	Australia	100	100
Warrior Forum Pty Ltd	Australia	100	100
Warrior Technology Pty Ltd	Australia	100	100
Payments Pty Ltd	Australia	100	100
Payments International Pty Ltd	Australia	100	100
Payments Australia Pty Ltd	Australia	100	100
Payments IP Pty Ltd	Australia	100	100
StartCon Pty Ltd	Australia	100	100
Freightlancer Holdings Pty Ltd **	Australia	50	50
Freightlancer Technology Pty Ltd **	Australia	50	50
Freightlancer Pty Ltd **	Australia	50	50
Freelancer Networks (Canada), Inc.	Canada	100	100
Freelancer Outsourcing, Inc.	Canada	100	100
Canadian Payments, Inc	Canada	100	100
Freelancer.com Pte Limited	Singapore	100	100
Freelancer International GmbH	Switzerland	100	100
Freemarket (Switzerland) GmbH	Switzerland	100	100
Freelancer Online India Private Limited	India	100	100
Freelancer.com Philippines, Inc.	Philippines	100	100
Freelancer Outsourcing UK Limited	United Kingdom	100	100
Payments Europe Limited	United Kingdom	100	100
Freelancer (Shanghai) Information Technology Co., Ltd.	China	100	100
Westmor Management, Inc. *	United States	100	100
Escrow.com, Inc. *	United States	100	100
EC Services Corporation*	United States	100	100
IES International, Inc. *	United States	100	100
Internet Escrow Services, Inc. *	United States	100	100
Freightlancer, Inc. **	United States	50	50

* Escrow.com group

** Freightlancer group

Freelancer Limited
Notes to the financial statements
For the financial year ended 31 December 2019

29. Fair value measurements

All assets and liabilities are recorded at their fair value.

30. Events occurring after the reporting date

There are no other matters or circumstances that have arisen since 31 December 2019 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.

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

	2019 \$000	2018 \$000
Loss for the year	(1,591)	(1,484)
Non-cash items in operating loss:		
Depreciation and amortisation	3,214	530
Profit on disposal of fixed assets	-	(23)
Share based payments expense	329	558
Net exchange differences	(196)	100
Changes in operating assets and liabilities:		
(Increase) / Decrease in trade and other receivables	152	(283)
Decrease / (Increase) in deferred tax assets	333	(649)
(Increase) in other assets	(554)	(278)
Increase in trade and other creditors	573	407
(Decrease) / Increase in provision for income tax	(13)	115
Increase in deferred tax liabilities	(564)	-
Increase in provisions for employee benefits	224	177
(Decrease) / Increase in other provisions	149	(149)
Net cash (outflow) from operating activities	2,056	(979)

a) Non-cash Financing

i. Share issue:

100 ordinary shares were issued in Freightlancer Holdings Pty Limited at \$200 per share in 2018 as part of the consideration for the purchase of the business and assets of Channel 40 Pty Ltd. The share issue was on an arm's length basis.

32. 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.

Freelancer Limited
Notes to the financial statements
For the financial year ended 31 December 2019

	2019 Cents	2018 Cents
(a) Basic earnings per share		
From operations attributable to the ordinary equity of the Company	(0.35)	(0.33)
Total basic earnings per share attributable to the ordinary equity holders of the Company	(0.35)	(0.33)
(b) Diluted earnings per share		
From operations attributable to the ordinary equity of the Company	(0.35)	(0.33)
Total basic earnings per share attributable to the ordinary equity holders of the Company	(0.35)	(0.33)
(c) Reconciliation of earnings used in calculating earnings per share	\$000	\$000
Basic earnings per share:		
Loss from continuing operations	(1,591)	(1,484)
Diluted earnings per share:		
Loss attributable to the ordinary equity holders of the Company	(1,591)	(1,484)
	2019 Shares	2018 Shares
(d) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used in calculating basic earnings per share	449,827,061	449,326,669
Adjustments for calculation of ordinary shares used in calculating diluted earnings per share:		
ESP shares	4,961,048	5,591,286
Share grants	-	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	454,788,109	454,917,955

(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 24.

33. 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 28.

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

Freelancer Limited

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For the financial year ended 31 December 2019

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

Freelancer Limited

Notes to the financial statements

For the financial year ended 31 December 2019

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 2019, 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 2019 of \$26,429,000 (2018: \$26,429,000).

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 24. 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.

Lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. After initial recognition, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew.

Freelancer Limited

Notes to the financial statements

For the financial year ended 31 December 2019

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 2019 the cash balance in trust amounted to A\$40,222,000 (2018: A\$32,157,000), 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 2018, other than for the initial application of AASB 16: Leases (Refer note 13).

(i) New Accounting Standards for application in future periods

A number of new accounting standards (including amendments and interpretations) have been issued but were not effective in FY20. The Group has not elected to early adopt any of these new accounting standards in these financial statements. Certain amendments were made to the definition of materiality, which were applicable to AASB 101 Presentation of Financial Statements and AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors and consequential amendments to other AASBs, which: i) use a consistent definition of materiality throughout AASBs and the Conceptual Framework for Financial Reporting; ii) clarify when information is material; and iii) incorporate some of the guidance in AASB 101 about immaterial information. These amendments are in issue but are applicable to the Group in future financial periods.

Directors' Declaration

In the Directors' opinion:

- (a) the Financial Statements and notes of the consolidated entity set out on pages 18 to 56 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 2019 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 2019.

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

On behalf of the directors



Matt Barrie
Chairman

18 February 2020

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

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

SYDNEY

Level 40
2 Park Street
Sydney NSW 2000
Australia

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

Opinion

We have audited the accompanying financial report of Freelancer Limited (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year ended and notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion:

- (a) the accompanying financial report of the Consolidated Entity is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2019 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 confirm that the independence declaration required by the *Corporations Act 2001* has been given to the directors of the group.

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

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FREELANCER LIMITED
ABN 66 141 959 042
AND CONTROLLED ENTITIES

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

Key Audit Matter	Procedures
<p>Reliance on automated process and controls</p> <p>Freelancer's revenue is primarily generated from new and existing users posting and fulfilling projects and contests on the Freelancer.com website and therefore a significant part of the Group's financial reporting processes are heavily reliant on IT systems with automated processes and controls over the capturing, valuing and recording of transactions. Similarly, other IT platforms of the business that includes Escrow.Com and Warrior Forum are also heavily reliant on IT systems. This is a key audit matter because of the:</p> <ul style="list-style-type: none"> • Complex IT environment supporting the Group's business processes • Mix of manual and automated controls • Multiple internal and outsource support arrangements • Large volume of low value transactions 	<p>Our procedures included, amongst others:</p> <p>We understood and tested management's controls over its systems relevant to financial reporting.</p> <p>We involved our IT specialist to conduct general IT controls tests that related to applications that support the effective functioning of application controls. This included a review of the policies and procedures, change management and access security.</p> <p>Our IT specialist performed application controls testing over the three main applications. The testing included procedures used to initiate, record, process and report transactions and other financial data, with particular focus on recognition and measurement of fee income, transactions including payment gateways and exception report testing.</p> <p>When testing controls was not considered an appropriate or efficient testing approach, alternative audit procedures were performed on the financial information.</p>
<p>Impairment of Goodwill and Intangible Assets</p> <p>Refer to Note 12 – Intangible Assets and Note 2 (h) - Critical Accounting Estimates and Judgements</p> <p>The Group has recognised intangible assets of \$26.4 million at 31 December 2019 resulting from business combinations and asset acquisitions.</p> <p>The assessment of impairment of the Group's intangible asset balances incorporated significant judgement in respect of factors such as general market conditions, discount rates, revenue growth and cost assumptions.</p> <p>We have focussed on this area as a key audit matter due to amounts involved being material; the inherent subjectivity associated with critical judgements being made in relation to forecast future revenue and costs; discount rates; and terminal growth rates.</p>	<p>Our procedures included, amongst others:</p> <p>We evaluated management's goodwill and intangible assets impairment assessment.</p> <p>Key inputs in the value in use model included forecast revenue, costs, discount rates and terminal growth rates. We corroborated those assumptions by comparing forecasts to historical actuals.</p> <p>We involved our valuation specialists to recalculate management's discount rates based on external data where available. The valuation specialist was also involved in assessing the value in use model used for valuation methodology including treatment of the net present value calculations.</p> <p>We performed sensitivity analysis on the fee income; terminal growth rate; and discount rate inputs.</p> <p>We assessed the Group's disclosures of the quantitative and qualitative considerations in relation to the carrying value of goodwill and intangible assets, by comparing these disclosures to our understanding of this matter.</p>

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

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

Other Information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 December 2019, 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.

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

FREELANCER LIMITED
ABN 66 141 959 042
AND CONTROLLED ENTITIES

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

Report on the Remuneration Report

We have audited the remuneration report included in pages 13 to 16 of the directors' report for the year ended 31 December 2019.

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

Opinion

In our opinion the remuneration report of Freelancer Limited for the year ended 31 December 2019 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: 18 February 2020

Freelancer Limited

Corporate Directory

Company Directors

Mr Robert Matthew Barrie
Mr Darren Nicholas John Williams
Mr Simon Alvin Clausen

Chairman and Chief Executive Officer
Non-Executive Director
Non-Executive Director

Company Secretary

Mr Neil Leonard Katz

Registered Office

Level 20
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Telephone: +61 (02) 8599 2700

Share Registry

Boardroom Limited
Level 12
225 George St
Sydney NSW 2000

External Auditors

Hall Chadwick
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Sydney NSW 2000

Securities exchange listing

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

