



HALF-YEAR REPORT
FREELANCER LIMITED ACN 141 959 042

2017

Appendix 4D

For the half year ended 30 June 2017

Freelancer Limited

ACN 141 959 042

Results for announcement to the market

For the half year ended 30 June 2017 ("current period")

	30 June 2017 \$000	% Change from 6 months ended 30 June 2016	30 June 2016 \$000
Revenues from ordinary activities	26,279	up 0.4%	26,180
Loss from ordinary activities after tax attributable to shareholders	(711)	down 9%	(778)
Net loss for the period attributable to shareholders	(711)	down 9%	(778)

No dividends have been declared for the reporting period.

	30 June 2017 (Cents)	30 June 2016 (Cents)
Net tangible assets per security	1.2	1.5

Additional Appendix 4D disclosure requirements can be found in the notes to the Interim Financial Report and the Directors' Report for the half year ended 30 June 2017. Information should be read in conjunction with Freelancer Limited's 2016 Annual Report and the attached Interim Financial Report.

This report is based on the consolidated Interim Financial Report for the half year ended 30 June 2017 which has been reviewed by Hall Chadwick with the Independent Auditor's Review Report included in the Interim Report.

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Freelancer Limited Directors' Report

The Directors present their report together with the financial statements of the consolidated entity (the Group), consisting of Freelancer Limited (the Company) and its controlled entities for the half-year ended 30 June 2017 and the Independent Auditor's Review Report thereon.

Directors

The names of the Directors of Freelancer Limited during the half-year and up to the date of this report are as follows:

Matt Barrie	Chairman and Chief Executive Officer
Darren Williams	Non-Executive Director
Simon Clausen	Non-Executive Director

Review of operations

During the half-year ended 30 June 2017, the Group generated net revenue of \$26.3 million, flat on the prior corresponding period (1H16: \$26.2 million).

This result was driven by:

- Gross Payment Volume¹ (unaudited) growth of (18%) on 1H16, driven by growth in the core marketplace segment, with approximately 1.4 million projects and contests posted during the period, and a decline in volume in the Escrow.com payments segment;
- continued growth in the user base, adding 1.4 million users during the period to a total of nearly 25 million users;
- increased user, project and contest acquisition, increased marketplace efficiency and conversion rate optimisation, product development, increased take up of value-added services including product upgrades, and increased take-up and optimisation of memberships and certifications.

Gross profit for the half-year ended 30 June 2017 was \$22.5 million, flat on the prior corresponding period (1H16: \$22.7 million), with a gross margin of 85% - slightly down on prior corresponding periods due to the Escrow.com business having a naturally slightly higher cost of sales. Total operating expenses were \$23.2 million (1H16: \$23.5 million) reflecting a slight decrease, driven primarily by reaching scale in employment costs as the business demonstrates operating leverage headcount in engineering, support and functional areas, along with consolidation of the Escrow.com business and investment into its near-term growth. As a result of this, the Group reported an operating net loss after tax of \$(0.5) million (1H16: \$(0.1) million) and an operating EBITDA² loss of \$0.2 million (1H16: \$(0.09) million). Operating cash flow was positive \$1.5 million (1H16: \$4.5 million).

Dividends paid or recommended

In respect of the half-year ended 30 June 2017, there have been no dividends paid or provided for (1H16: nil).

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 6.

Rounding off of amounts

The Company is a company of the kind referred to in Australian Securities and Investments Commission Instrument 2016/191. Amounts in the Directors' Report and the accompanying financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, unless otherwise stated.

This report is made in accordance with a resolution of Directors.



Matt Barrie
Chairman
31 July 2017

¹ Gross Payment Volume (GPV) is calculated as the total payments to Freelancer and Escrow users for products and services transacted through the Freelancer and Escrow websites plus total Freelancer and Escrow revenue.

² Operating earnings are exclusive of non-cash share based payments expense of \$532k and other income of \$326k in the half-year period ended 30 June 2017.

Auditor's Independence Declaration



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

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

SYDNEY
Level 40
2 Park Street
Sydney NSW 2000
Australia

GPO Box 3555
Sydney NSW 2001

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I declare that, to the best of my knowledge and belief, during the half-year ended 30 June 2017 there have been no contravention of:

- (a) the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review, and
- (b) any applicable code of professional conduct in relation to the review

Hall Chadwick
Level 40, 2 Park Street
Sydney, NSW 2000

Sandeep Kumar
Partner
Dated: 31 July 2017

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Freelancer Limited
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half-year ended 30 June 2017

		30 Jun 2017	30 Jun 2016
	Note	\$000	\$000
Revenue	3	26,279	26,180
Cost of sales		(3,820)	(3,484)
Gross profit		22,460	22,696
Other Income	4	326	-
Employee expenses		(11,124)	(11,053)
Administrative expenses		(5,304)	(4,457)
Marketing related expenses		(4,363)	(5,196)
Occupancy expenses		(1,470)	(1,457)
Foreign exchange losses		(382)	(439)
Depreciation and amortisation expenses		(366)	(354)
Share based payments expense		(532)	(665)
Finance costs		(8)	(2)
Loss before income tax		(763)	(927)
Income tax benefit		52	149
Loss after tax		(711)	(778)
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		(22)	10
Total comprehensive loss for the half-year		(733)	(768)
Earnings per share		Cents	Cents
Basic earnings per share	7	(0.16)	(0.17)
Diluted earnings per share	7	(0.16)	(0.17)

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 30 June 2017

	Note	30 Jun 2017 \$000	31 Dec 2016 \$000
Assets			
Current assets			
Cash and cash equivalents		34,713	34,779
Trade and other receivables		3,846	4,166
Current tax assets		146	155
Other assets		980	966
Total current assets		39,685	40,066
Non-current assets			
Trade and other receivables		202	216
Plant and equipment		1,126	1,311
Intangible assets		26,443	25,701
Other assets		445	502
Deferred tax assets		3,361	3,278
Total non-current assets		31,577	31,008
Total assets		71,262	71,074
Liabilities			
Current liabilities			
Trade and other payables		32,896	32,728
Current tax liabilities		90	81
Provisions		1,282	1,325
Deferred revenue		1,157	1,174
Total current liabilities		35,425	35,308
Non-current liabilities			
Deferred tax liabilities		3	3
Provisions		442	374
Total non-current liabilities		445	377
Total liabilities		35,870	35,685
Net assets		35,392	35,389
Equity			
Contributed equity	5	37,954	37,750
Reserves	6	2,943	2,433
Accumulated losses		(5,505)	(4,794)
Total equity		35,392	35,389

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 half-year ended 30 June 2017

		Contributed Equity	Share based payments	Foreign currency translation reserve	(Accumulated losses)	Total Equity
	Note	\$000	\$000	\$000	\$000	\$000
Balance at 1 January 2016		37,310	1,585	(367)	(3,621)	34,907
Loss for the half-year		-	-	-	(778)	(778)
Exchange differences on translation of foreign operations	6	-	-	10	-	10
Total comprehensive loss for the half-year				10	(778)	(768)

Transactions with owners in their capacity as owners:

Contributions of equity arising from repayment of ESP loans	5	285	-	-	-	285
Share based payments		-	665	-	-	665
Balance at 30 June 2016		37,595	2,250	(357)	(4,399)	35,089

		Contributed Equity	Share based payments	Foreign currency translation reserve	(Accumulated losses)	Total Equity
	Note	\$000	\$000	\$000	\$000	\$000
Balance at 1 January 2017		37,750	2,838	(405)	(4,794)	35,389
Loss for the half-year		-	-	-	(711)	(711)
Exchange differences on translation of foreign operations	6	-	-	(22)	-	(22)
Total comprehensive loss for the half-year				(22)	(711)	(733)

Transactions with owners in their capacity as owners:

Contributions of equity arising from repayment of ESP loans	4	204	-	-	-	204
Share based payments		-	532	-	-	532
Balance at 30 June 2017		37,954	3,370	(427)	(5,505)	35,392

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 half year ended 30 June 2017

	Note	30 Jun 2017 \$000	30 Jun 2016 \$000
Cash flows from operating activities			
Receipts from customers (inclusive of GST and VAT)		25,800	26,174
Payments to suppliers and employees (inclusive of GST and VAT)		(24,285)	(21,716)
Interest received		12	89
Income taxes paid		(29)	(37)
Net cash inflow from operating activities		1,498	4,510
Cash flows from investing activities			
Payments for plant and equipment		(181)	(266)
Payments for intangible assets		(741)	(1,033)
Proceeds on working capital adjustment from Escrow.com		326	-
Net cash (outflow) from investing activities		(596)	(1,299)
Cash flows from financing activities			
Contributions of equity arising from repayment of ESP loans	5	204	285
Net cash inflow from financing activities		204	285
Net increase in cash and cash equivalents		1,106	3,496
Cash and cash equivalents at beginning of the financial year		34,779	32,246
Effects of exchange rate changes on cash and cash equivalents		(1,172)	(562)
Cash and cash equivalents at end of the half-year		34,713	35,180

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

Freelancer Limited
Notes to the financial statements
For the half year ended 30 June 2017

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Freelancer Limited
Notes to the financial statements
For the half year ended 30 June 2017

1. Basis of preparation

This interim report for the half-year reporting period ended 30 June 2017 has been prepared in accordance with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001. Freelancer Limited is a for-profit entity for the purpose of preparing the interim financial statements. The financial statements are for the consolidated entity consisting of Freelancer Limited and its subsidiaries.

This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2016 and any public announcements made by Freelancer Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001. These interim financial statements were authorised for issue on 31 July 2017.

(a) Accounting policies

The accounting policies adopted in the preparation of the consolidated interim financial statements are consistent with those adopted in the Group's annual financial report for the year ended 31 December 2016.

(b) Rounding of amounts

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

2. Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (CODM). The Board of Directors are identified as the 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 in Australia and has staff and operations in Philippines, United Kingdom, 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.

Half-year end 30 June 2017	Online Marketplace	Online payment services	Total
Segment revenue			
Segment revenue	23,140	3,139	26,279
Total segment revenue	23,140	3,139	26,279
Segment result			
Segment profit / (loss)	227	(418)	(191)
Other income	-	-	326
Share based payments	-	-	(532)
Depreciation and amortisation expenses	-	-	(366)
Loss before income tax	-	-	(763)
Income tax benefit	-	-	52
Loss for half-year	-	-	(711)

Freelancer Limited
Notes to the financial statements
For the half year ended 30 June 2017

Half-year end 30 June 2016	Online Marketplace	Online payment services	Total
Segment revenue			
Segment revenue	21,840	4,340	26,180
Total segment revenue	21,840	4,340	26,180
Segment result			
Segment (loss) / profit	(484)	575	91
Share based payments			(665)
Depreciation and amortisation expenses			(354)
Loss before income tax			(928)
Income tax benefit			150
Loss for half-year			(778)

3. Revenue

	30 Jun 2017 \$000	30 Jun 2016 \$000
Sales revenue		
Marketplace and payment services	26,146	25,997
Other revenue		
Interest income	17	82
Government grants	111	80
Other	5	21
Total revenue	26,279	26,180

4. Other Income

	30 Jun 2017 \$000	30 Jun 2016 \$000
Proceeds on working capital adjustment from Escrow.com	326	-
Total other income	326	-

Freelancer Limited
Notes to the financial statements
For the half year ended 30 June 2017

5. Contributed equity

(a) Share capital

	Note	30 Jun 2017 Number	31 Dec 2016 Number	30 Jun 2017 \$000	31 Dec 2016 \$000
Ordinary shares					
Fully paid	5(b)		458,728,081	37,954	37,750
Total share capital				37,954	37,750

(b) Movements in ordinary share capital

Reconciliation to 31 December 2016	Number of shares	Average price	\$000
Balance at 1 July 2016	458,477,030		37,595
Issue of ordinary shares:			
Issue of ordinary shares under incentive plan	333,333	\$0.00	-
Issue of ESP shares ¹	1,595,539	\$1.51	-
Buy-back and cancellation of ESP shares	(1,677,821)	\$1.35	-
Contributed equity arising from repayment of ESP loans			155
Balance at 31 December 2016	458,728,081		37,750
Reconciliation to 30 June 2017	Number of shares	Average price	\$000
Balance at 31 December 2016	458,728,081		37,750
Issue / (cancellation) of ordinary shares:			
Contributed equity arising from repayment of ESP loans			204
Balance at 30 June 2017	458,728,081		37,954

6. Equity – reserves

a) Movements

	30 Jun 2017 \$000	31 Dec 2016 \$000
Share based payment reserve movements		
Balance at the beginning of the half-year	2,838	1,585
Share based payment expense	532	1,252
Balance at the end of the half-year	3,370	2,838
Foreign currency translation reserve movements		
Balance at the beginning of the half-year	(405)	(367)
Currency translation differences arising during the half-year	(22)	(38)
Balance at the end of the half-year	(427)	(405)
Total reserves	2,943	2,433

Freelancer Limited
Notes to the financial statements
For the half year ended 30 June 2017

7. Earnings per share (EPS)

	30 Jun 2017 Cents	30 Jun 2016 Cents
(a) Basic earnings per share		
From operations attributable to the ordinary equity of the Company	(0.16)	(0.17)
Total basic earnings per share attributable to the ordinary equity holders of the Company	(0.16)	(0.17)
(b) Diluted earnings per share		
From operations attributable to the ordinary equity of the Company	(0.16)	(0.17)
Total basic earnings per share attributable to the ordinary equity holders of the Company	(0.16)	(0.17)
(c) Reconciliation of earnings used in calculating earnings per share	\$000	\$000
Basic earnings per share:		
Loss from continuing operations	(711)	(778)
Diluted earnings per share:		
Loss attributable to the ordinary equity holders of the Company	(711)	(778)
	30 Jun 2017 Shares	30 Jun 2016 Shares
(d) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used in calculating basic earnings per share	448,911,410	447,906,981
Adjustments for calculation of ordinary shares used in calculating diluted earnings per share:		
ESP shares	8,816,671	10,145,198
Share grants	-	333,333
Weighted average number of ordinary shares used in calculating diluted earnings per share	458,728,081	458,385,512

8. Contingent liabilities

Except for the items listed below, there are no other material contingent liabilities as at 30 June 2017:

- a collateral amount of USD100,000 (31 December 2016: USD100,000) is in place in one of the Group's PayPal accounts in favour of PayPal Australia Pty Ltd;
- term deposits of \$46,835 (31 December 2016: \$47,488) are secured for corporate credit card facilities in place;
- deposits of \$737,000 (31 December 2016: \$730,000) are held by various credit card processing providers, as security for any contractual compensation arising under these agreements;
- included in cash is an amount of \$724,000 on term deposit (31 December 2016: \$724,000), which is secured against a bank guarantee that has been provided to the lessor in respect of premises occupied by the Company at Level 20, 680 George Street Sydney.
- included in cash is an amount of USD455,000 (31 December 2016: USD455,000), which is secured in connection with surety bonds in place with certain regulators in the US.
- Included in cash is an amount of USD180,000 (31 December 2016: USD180,000), which is held as a reserve to satisfy escrow regulatory requirements in respect of credit card transactions.

Freelancer Limited
Notes to the financial statements
For the half year ended 30 June 2017

9. Commitments for expenditure

(a) Non-cancellable operating leases

The Group has entered into commercial leases for office property. As at 30 June 2017 these leases had remaining lives ranging from 3 months up to 34 months. Rentals paid under operating leases are charged to the income statement on a straight line basis over the period of the lease. Future minimum rentals payable under non-cancellable operating leases as at 30 June 2017 are as follows:

	30 Jun 2017	31 Dec 2016
	\$000	\$000
Less than one year	2,231	2,306
Between one and five years	2,644	3,784
More than five years	-	-
Total operating lease commitments	4,875	6,090

(b) Other capital commitments

There were no capital commitments as at 30 June 2017.

10. Events occurring after the reporting date

There are no other matters or circumstances that have arisen since 30 June 2017 that have significantly affected, or may significantly affect:

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

Freelancer Limited

Directors' Declaration

In the Directors' opinion:

- (a) the Financial Statements and notes of the consolidated entity set out on pages 7 to 16 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 30 June 2017 and of its performance for the half-year period ended on that date; and
 - (ii) comply with Accounting Standard 134 "Interim Financial Reporting";
- (b) 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

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

On behalf of the directors

A handwritten signature in black ink that reads "Matt Barrie". The signature is written in a cursive, slightly informal style.

Matt Barrie
Chairman

31 July 2017

Independent Auditor's Report



FREELANCER LIMITED
ABN 66 141 959 042

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF FREELANCER LIMITED

SYDNEY
Level 40
2 Park Street
Sydney NSW 2000
Australia

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Report on the Half-year Financial Report

We have reviewed the accompanying half-year financial report of Freelancer Limited, which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of Freelancer Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Freelancer Limited's financial position as at 30 June 2017 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134: Interim Financial Reporting and the *Corporations Regulations 2001*. As the auditor of Freelancer Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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**FREELANCER LIMITED
ABN 66 141 959 042**

**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF
FREELANCER LIMITED**

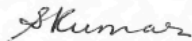
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Freelancer Limited is not in accordance with the Corporations Act 2001 including:

- (i) giving a true and fair view of Freelancer Limited's financial position as at 30 June 2017 and of its performance for the half-year ended on that date; and
- (ii) complying with AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.



Hall Chadwick
Level 40, 2 Park Street
Sydney, NSW 2000



Sandeep Kumar
Partner
Dated: 31 July 2017

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
680 George Street
Sydney NSW 2000
Telephone: +61 (02) 8599 2700

Share Registry

Boardroom Limited
Level 7
207 Kent Street
Sydney NSW 2000

External Auditors

Hall Chadwick
Level 40
2 Park Street
Sydney NSW 2000

Securities exchange listing

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

