2013 ANNUAL REPORT

FREELANCER LIMITED

ACN 141 959 042

contents

FREELANCER LIMITED
2013 ANNUAL REPORT

CHAIRMAN'S LETTER

Dear Shareholder,

The Board is pleased to present to shareholders Freelancer's inaugural Annual Report for the financial year ended 31 December 2013 (FY13).

Freelancer is the world's largest freelancing, outsourced services and crowdsourcing marketplace by total number of users and number of projects posted. Over the 2013 financial year, the Company experienced significant growth in users, projects and contests posted, bringing the total number of registered users to 9.7 million, and the total number of projects and contests posted to 5.3 million- further affirming our leading global position. At the date of this Annual Report we have 10.3 million registered users and 5.5 million projects and contests posted.

Our long term mission is to beneficially change one billion people's lives on this planet, by providing them with a job, sourced through our platform. While we are in the very early days of this journey, the Company continues to execute strongly. Day by day we are broadening our offering to increasingly enable anyone to work, at any time, in any field, at their own rates, from anywhere in the world.

Performance in FY13

The Company is pleased to announce that in FY13 the Company achieved Net Revenue of $18.8 million, a spectacular increase of 77% against the prior corresponding period. Gross Payment Volume in FY13 was $84.4 million (+66% on the prior corresponding period). Freelancer is a high growth Internet company- Net Revenue has been accelerating year on year (FY11 +37%, FY12 +64%, and FY13 +77%), reflecting growth in marketplace volume, increased efficiency and quality of the marketplace and increased sales of value added services.

The Company has historically managed its operating cost base to be marginally profitable and cash flow positive with the aim of maximising re-investment in product development and top-line growth, and is pleased to have done so in FY13. In FY13, the Company achieved EBITDA (excluding IPO costs) of $1.2 million and positive operating cash flows of $0.2 million.

Pre-tax Profit for FY13 was $0.6 million, and reported Net Profit was $0.8 million, which included a tax benefit of $0.2 million.

As at 31 December 2013, the Company held cash and equivalents of $24.4 million.

Initial public offering

I would like to thank our shareholders for the tremendous support and confidence they have shown in the Company since listing on the ASX. We are the first publicly listed company in our space globally, giving us a significant competitive advantage.

The beginning

We are at the very beginning of a global revolution in the way that we do work.

Over the decades to come, the rest of the world's population will be connecting- at an accelerating pace. More and more industries will be eaten by software, and more and more jobs will be performed with a computer and will head into the cloud. People on opposite sides of the world will increasingly work together, and through software it will be as seamless as if they were in the same room together.

We believe, in time, it is inevitable that a global marketplace for services will emerge, that will be of a similar size and scale as global marketplaces for products like eBay, Amazon and Alibaba.

Freelancer is uniquely positioned to be this marketplace, and we are proud to be doing so as an Australian company.

This coming year we will be focussed on improving scalability, strengthening the team, and our marketplace. We will continue to focus on innovative product development, and continue to expand across regional and multilingual markets, and across job categories.

Thank you

The Board and myself personally wish to thank and acknowledge the support of all of our employees and our users; both freelancers and employers. Without you, none of what we have done would have been possible.

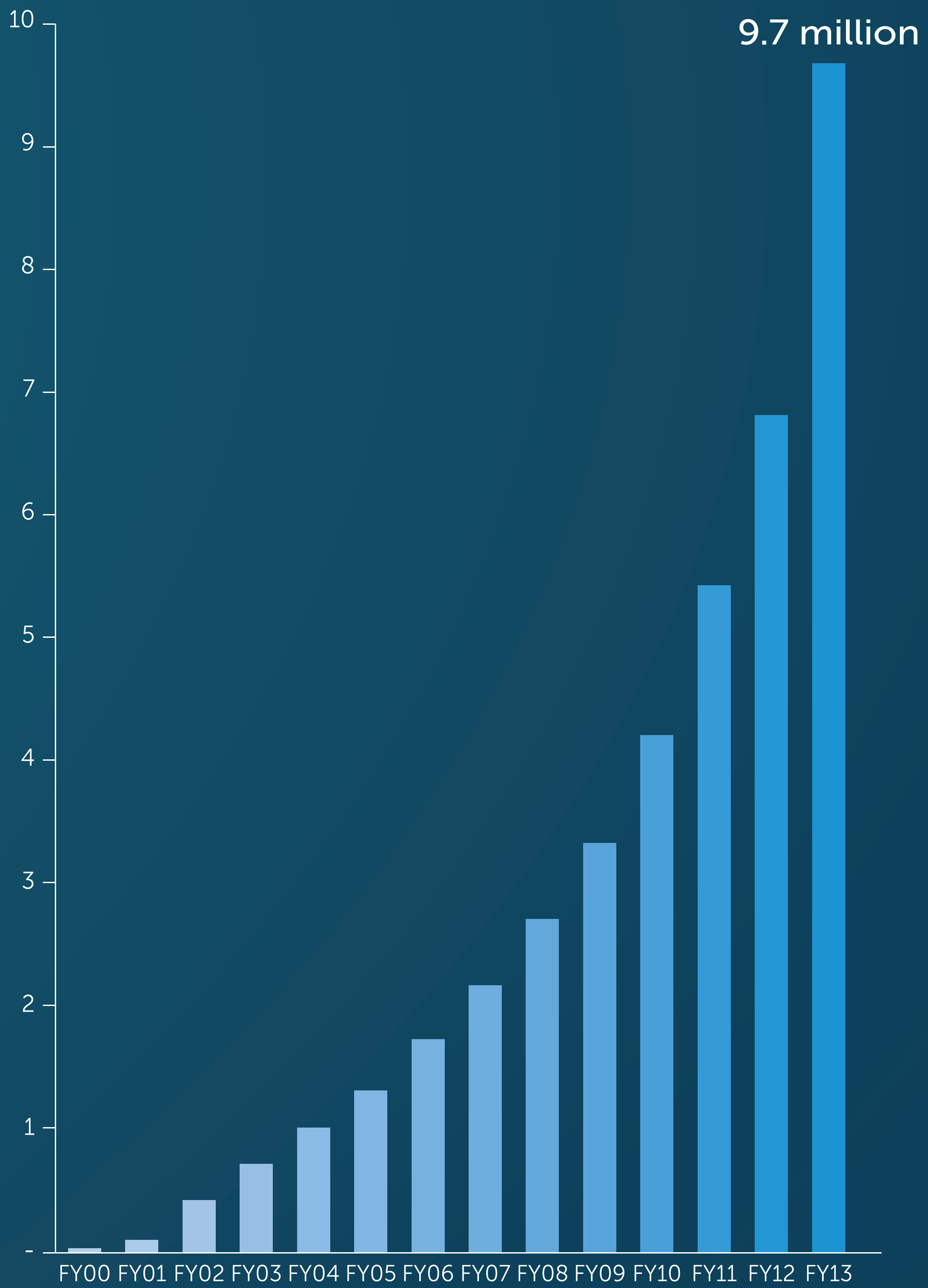
We are at the beginning of a long journey, as we continue to build Freelancer into a world class, global technology company. It is very early days in our space, with tremendous potential. We hope that our shareholders will continue along the path with us as we increasingly capture this opportunity.

Yours sincerely,

Matt Barrie

Matt Barrie
CEO & Chairman
Freelancer Limited

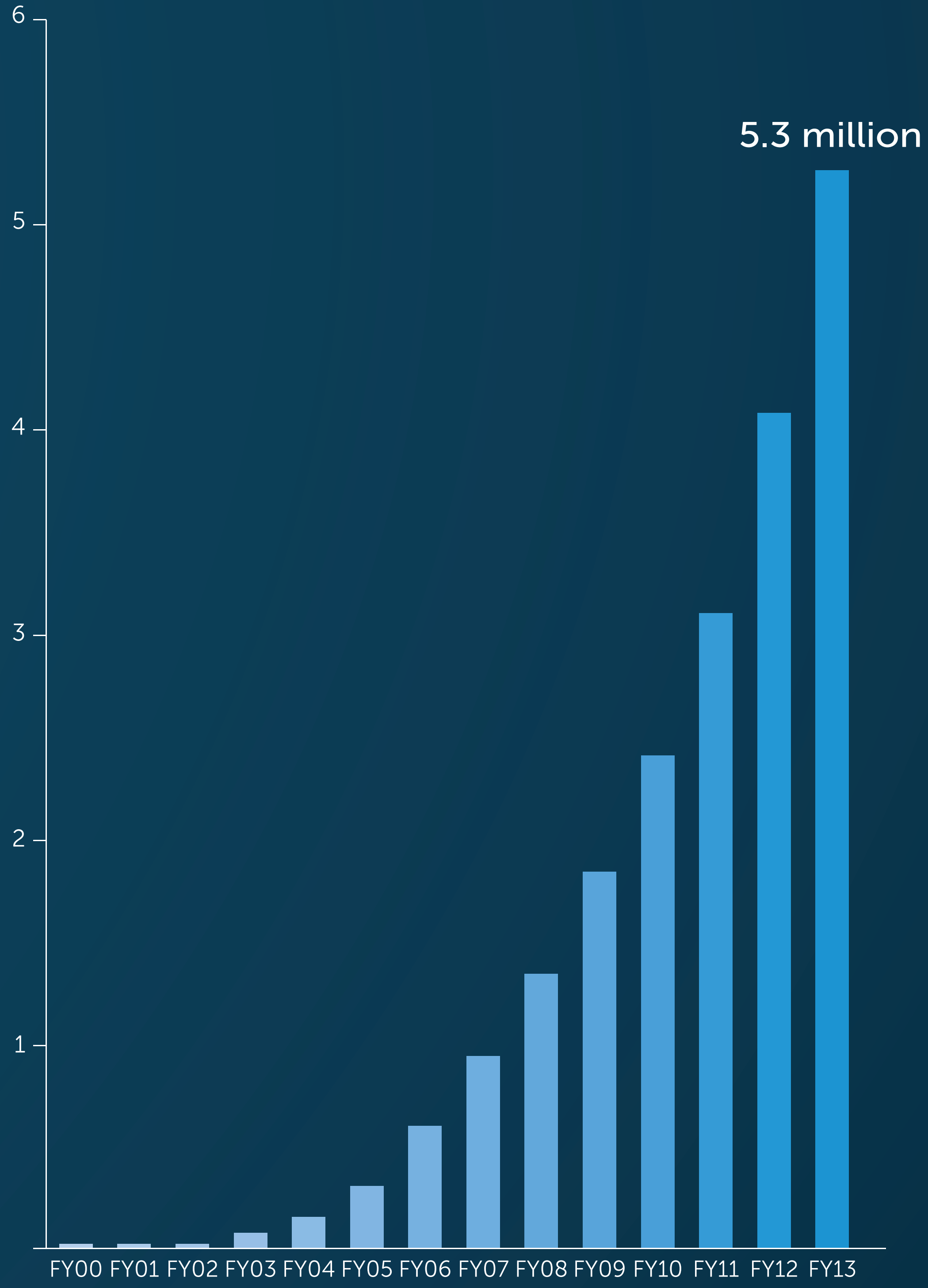
Number of Registered Users[1] (millions)



Notes

1. *User data includes all users from acquired marketplaces including, but not limited to GetAFreelancer, EUFreelance, Scriptlance, LimeExchange and vWorker/RentACoder. Prior to May 2009, all data is from acquired marketplaces.*

Number of Posted Projects & Contests[1] (millions)



Notes

1. *Project data includes all projects from acquired marketplaces including, but not limited to GetAFreelancer, EUFreelance, Scriptlance, LimeExchange and vWorker/RentACoder. Prior to May 2009, all data is from acquired marketplaces.*


freelancer.com

REVIEW OF OPERATIONS

Key performance highlights

Year ended 31 December	FY12 $m	FY13 $m	% Change
Audited financial metrics			
Net Revenue	10.6	18.8	77%
Gross Profit	9.3	16.4	77%
Gross margin (%)	*87.4%*	*87.6%*	0.3%
Operating EBITDA[1]	0.8	1.2	53%
Operating EBIT[1]	0.7	1.0	46%
Operating NPAT[1]	0.7	1.1	46%
Operational metrics (unaudited)			
New Registered Users[2] (millions)	1.4	2.9	104%
Gross Payment Volume[3]	50.8	84.4	66%
Take rate[4] (%)	*20.9%*	*22.2%*	6%

The Company experienced strong growth in activity within its online marketplace in the 12 months ended 31 December 2013 (FY13), resulting in substantial growth in revenue of 77% year on year.

Whilst maintaining its focus on re-investing for top-line growth, the Company remained profitable with EBITDA of $0.7 million in line with the prior period (FY12: $0.8 million), and maintained positive operating cash flows of $0.2 million.

Marketplace performance

The Company's revenue is primarily generated from new and existing users posting and fulfilling outsourcing projects and crowdsourcing contests on Freelancer.com and its various regional websites.

Freelancer's registered user base, including both employers and freelancers, increased by approximately 2.9 million users in FY13, an increase of 104% on the number of users that registered in the prior year (FY12: 1.4 million).

Users are acquired from a variety of sources including search engine optimisation (SEO), search engine marketing (SEM), media and public relations work, events, user referrals, competitions, traditional advertising and email marketing.

The Company's main user acquisition focus is on attracting new employers, being those users who post jobs and therefore create demand in the online marketplace. However, the Company also seeks to ensure that there is a sufficient supply of freelancers across regional, language and skill-specific segments of the marketplace in order to maximise marketplace liquidity and network effects.

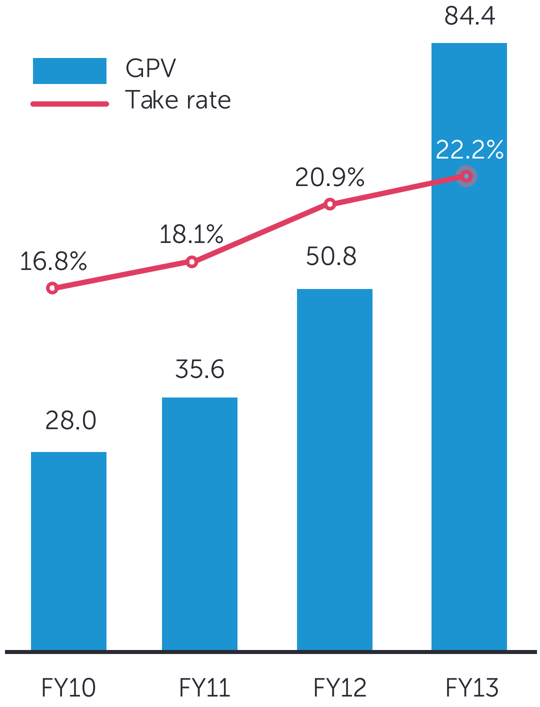
The main way in which work is accomplished through Freelancer is through posting (outsourcing) a project, however work can also be performed through posting (crowdsourcing) contests and direct hires via the Company's freelancer directory. Approximately 1.19 million projects and contests were posted in FY13 (FY12: 0.98 million). In addition to strong underlying growth in English speaking projects, the implementation of a multilingual strategy (beginning mid-FY12) provided a platform for exceptional growth in project volumes in Europe, Latin America and the Middle East.

Website, IT & Software and Design remain the largest contributors to the type of work being completed in the marketplace, with mobile development and product sourcing and manufacturing projects showing the highest rates of growth in FY13.

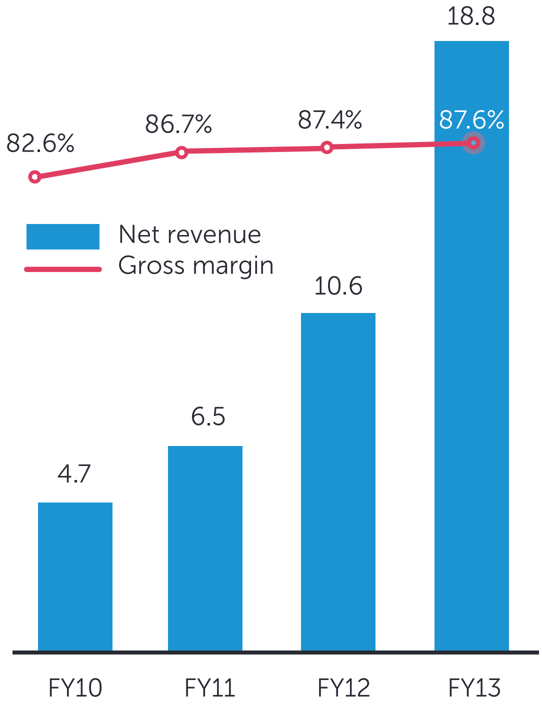
Notes

1. *Exclusive of $394k of expensed IPO costs ($275k net of tax) and non-cash share based payments expense of $33k in FY13.*
2. *User data includes all users from acquired marketplaces including, but not limited to GetAFreelancer, EUFreelance, Scriptlance, LimeExchange and vWorker/RentACoder. Prior to May 2009, all data is from acquired marketplaces.*
3. *Gross Payment Volume (GPV) is calculated as the total payments to Freelancer users for products and services transacted through the Freelancer website plus total Freelancer Revenue. Based on Freelancer's unaudited management accounts for the years ended 31 December 2010, 2011, 2012 and 2013, which have not been subject to an auditors review.*
4. *Take rate is calculated as Net Revenue divided by Gross Payment Volume.*

Gross Payment Volume[1] ($ million) and Take Rate[2] (%)



Net Revenue ($ million) and Gross Margin (%)



Revenue & gross margin performance

The Company achieved Net Revenue of $18.8 million in FY13 (on Gross Payment Volume of $84.4 million), representing 77% growth on the previous corresponding period.

Contributing factors to the growth in Net Revenue for FY13 included both overall system growth in marketplace volumes, increased efficiency and quality of the marketplace and increased sales of value added services (non-commission based revenues).

The Company's gross margin of 87.6% in FY13 remained in line with the previous corresponding period (FY12: 87.4%). 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.

Operating performance

The Company achieved EBITDA (excluding IPO costs) of $1.2 million in FY13, representing 53% growth on the previous corresponding period (FY12: $0.8 million). The growth in the Company's operating expenses in FY13 predominantly related to corporate overheads, employee expenses, hosting and sales & marketing costs. In addition, the Company incurred one-off expenses relating to the IPO of $0.4 million to achieve a reported EBITDA of $0.7 million.

Pre-tax Profit was $0.6 million in FY13, in line with the previous corresponding period (FY12: $0.7 million).

Reported Net Profit of $0.8 million in FY13 included a tax benefit of $0.2 million (FY12: $0.7 million).

Cash flow and balance sheet strength

The Company maintained positive operating cash flows of $0.2 million in FY13 (FY12: $1.1 million). This small but positive result is in line with the Company's aim to maximise re-investment in product development and top-line growth.

Capital expenditure on tangible assets was $0.3 million in FY13, in line with the previous corresponding period (FY12: $0.3 million).

Intangible asset capex of $1.4 million in FY13 is inclusive of the acquisition of various domain names from Startive Ventures Inc that the Company intends to use in the future (as outlined in the Company's Prospectus).

The Company raised $15 million through the IPO. Total costs associated with the IPO were $0.9 million, including both capitalised amounts (before tax effect) and expensed amounts. Part of the funds raised were used to purchase various domain names as outlined above.

As at 31 December 2013, the Company held cash and equivalents of $24.4 million, providing the Company with sufficient flexibility to pursue growth via organic and other channels.

Notes

1. *Gross Payment Volume (GPV) is calculated as the total payments to Freelancer users for products and services transacted through the Freelancer website plus total Freelancer Revenue. Based on Freelancer's unaudited management accounts for the years ended 31 December 2010, 2011, 2012 and 2013, which have not been subject to an auditors review.*
2. *Take rate is calculated as Net Revenue divided by Gross Payment Volume.*

Variance to Prospectus Forecast

The table to the right compares the Director forecast provided in Section 4 of the Prospectus dated 21 October 2013 (Prospectus Forecast) to the Company's actual results in FY13.

The Company is pleased to have exceeded Prospectus Forecast for Gross Payment Volume, Net Revenue and gross profit by $3.5 million (4.3%), $0.5 million (2.3%) and $0.3 million (2.3%) respectively.

Key variances that resulted in total operating expenses exceeding the Prospectus Forecast include the following:

- Sales & marketing costs, including search engine marketing (SEM) costs, accounted for a significant share of the variance in total operating expenses. Note that the Company manages its sales & marketing expenditures based on an assessment of potential returns over time. In addition, sales & marketing costs are predominantly incurred in USD and were also adversely effected by the depreciation of the AUD against the USD in the fourth quarter of the financial year.
- Hosting costs were impacted by both the depreciation of the AUD against the USD as well as greater than expected marketplace activity (leading to increased traffic and server usage).
- IPO costs exceeded Prospectus Forecast predominantly due to additional unanticipated legal costs relating to the IPO.

The variance in FX gains / (losses) relates to predominantly unrealised changes in the AUD value of cash and user obligations, and was impacted particularly by the depreciation of the AUD against the USD in the fourth quarter of the financial year.

The Company has historically managed its operating cost base to be marginally profitable and cash flow positive with the aim of maximising re-investment in product development and top-line growth. The Company is pleased to have maintained its profitability in line with prior years in accordance with its stated re-investment policy.

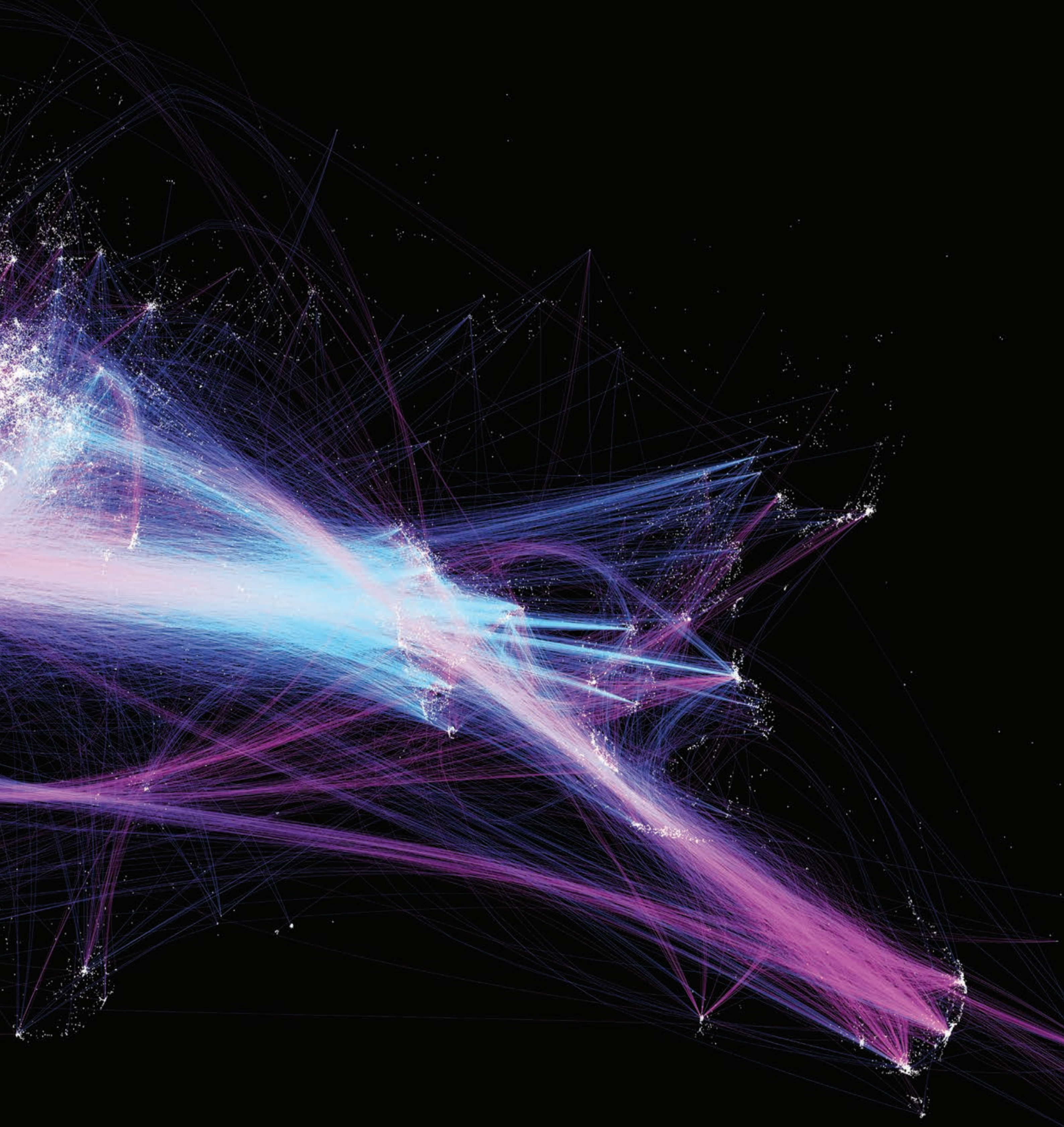
The Company's reported NPAT for the 12 months ended 31 December 2013 is inclusive of a tax benefit of $0.2 million that was unanticipated and not considered by the Prospectus Forecast.

31-Dec y/e	FY13 Prospectus $m	FY13 Actual $m	% Difference
GPV[1]	80.9	84.4	4.3%
Net Revenue	18.3	18.8	2.3%
Take rate[2] (%)	*22.7%*	*22.2%*	(1.9%)
Gross profit	16.1	16.4	2.3%
Gross margin (%)	*87.6%*	*87.6%*	-
Operating expenses	(14.5)	(14.9)	2.9%
FX gains / losses[3]	(0.5)	(0.4)	n/m
IPO costs[3]	(0.3)	(0.4)	n/m
Reported EBITDA	0.7	0.7	1.7%
Reported EBIT	0.6	0.6	1.6%
Reported NPAT	0.5	0.8	60.0%

Notes

1. *Gross Payment Volume (GPV) is calculated as the total payments to Freelancer users for products and services transacted through the Freelancer website plus total Freelancer Revenue. Based on Freelancer's unaudited management accounts for the years ended 31 December 2010, 2011, 2012 and 2013, which have not been subject to an auditors review.*
2. *Take rate is calculated as Net Revenue divided by Gross Payment Volume.*
3. *"n/m" denotes that the value is "not meaningful".*

OUR ONLINE **ECONOMY**



The above diagram illustrates the Freelancer online economy. The pink lines indicate where projects are being posted by employers, and the blue lines indicate where the projects are being performed by freelancers. Thicker lines indicate a higher dollar volume of work. White dots indicate the location of Freelancer users. Data as of 21 February 2014.

DIRECTORS' REPORT

Your Directors submit the financial report of Freelancer Limited (the Company) for the year ended 31 December 2013. 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:

Matt Barrie

Executive Chairman
(appointed 10 April 2010)

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

- Founder and Executive Chairman of the Company.
- Serial entrepreneur with extensive experience and knowledge in the technology sector. Previously co-founded and was CEO of Sensory Networks Inc., a vendor of high performance network security processors, which was acquired by Intel Corporation Inc. in 2013.
- 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 386,095,977 fully paid ordinary shares, including a relevant interest in 185,645,399 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 voluntary escrow arrangements over certain shares on issue at IPO and trading restrictions over shares issued under the Employee Share Plan.
- Beneficial interest in 200,450,578 fully paid ordinary shares (representing 46.0% of issued capital).
- Member of the Nomination and Remuneration Committee and the Audit Committee.

Darren Williams

Executive Director
(appointed 10 April 2010)

BSc (Hons I) PhD
(Computer Science) MAICD

- Chief Technology Officer and Executive Director of the Company.
- 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 a 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 12,605,660 fully paid ordinary shares (representing 2.9% of issued capital).
- Member of the Nomination and Remuneration Committee and the Audit Committee.

Simon Clausen

Non-Executive Director
(appointed 10 April 2010)

- Founding investor and Non-Executive Director of the Company.
- Extensive experience in operating and investing in high growth technology businesses in both Australia and the United States. Previously founded and was CEO of WinGuides, which later became PC Tools and was acquired by Symantec Corporation in October 2008.
- Currently the sole director of Startive Ventures, a specialised technology venture fund that actively maintains investments in a number of companies globally.
- Relevant interest in 388,051,977 fully paid ordinary shares, including a relevant interest in 218,112,238 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 voluntary escrow arrangements over certain shares on issue at IPO and trading restrictions over shares issued under the Employee Share Plan.
- Beneficial interest in 169,939,739 fully paid ordinary shares (representing 39.0% of issued capital).
- Member of the Nomination and Remuneration Committee and the Audit Committee.

Company Secretary

Mr Neil Katz held the position of Company Secretary during and at the end of the financial year (appointed 9 March 2012). He has been with the Group since 2009 and is 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. There were no significant changes in the nature of the principal activities during the financial year.

Refer also the Chairman's letter and commentary in the Review of Operations above which forms part of the Directors' Report for the financial year ended 31 December 2013.

Review of operations

The Group's profit attributable to equity holders of the Company, after providing for income tax, amounted to $753,000 (2012 profit: $728,000).

Refer also to the commentary in the Review of Operations above which forms part of the Directors' Report for the financial year ended 31 December 2013.

Dividends paid or recommended

In respect of the financial year ended 31 December 2013, there have been no dividends paid or provided for (2012: 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 are 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 2013 that has significantly affected, or may significantly affect the Group's operations in future financial years, the results of those operations in future financial years, or the Group's state of affairs in future financial years.

Future developments

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

Environmental regulations

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

Indemnification of officers and auditors

During the financial year, the Group paid premiums based on normal commercial terms and conditions to insure all directors, officers and employees of the Group against the costs and expenses in defending claims brought against the individual while performing services for the Group. The premium paid has not been disclosed as it is subject to the confidentiality provisions of the insurance policy. The Company has not otherwise, during or since the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

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

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

Rounding off of amounts

The Company is an entity to which ASIC Class Order 98/0100 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 one meeting of Directors was held. Other matters arising during the year were resolved by circulating resolution.

The number of Director meetings held during the financial year reflects that the Company had only been publicly listed for less than two months of the year. The Audit Committee and Nomination and Remuneration Committee were constituted on 10 October 2013.

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 Committee meetings	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
R.M. Barrie	1	1	1	1	1	1
S.A. Clausen	1	1	1	1	1	1
D.N.J. Williams	1	1	1	1	1	1

Non-audit services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor and its related parties amounted to $58,000.

The Directors are satisfied that the provision of non-audit services in the form of tax compliance services and due diligence 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 19 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit Committee, for the following reasons:

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

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

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

Auditor's independence declaration

The auditor's independence declaration is included on page 18 and forms part of the Directors' Report for the year ended 31 December 2013.

Shares issued under Employee Share Plan (ESP)

During the financial year, the Company granted ESP shares to the following Directors as part of their remuneration:

- R.M. Barrie 400,000
- D.N.J. Williams 500,000

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

Proceedings on behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings. The Group was not a party to any such proceedings during the year.

Remuneration Report - audited

This audited Remuneration Report for the Group and which forms part of the Directors' Report for the financial year ended 31 December 2013, details the nature and amount of remuneration for each Director and the Executives.

Key management personnel include:

- R.M. Barrie – Executive Chairman
- S.A. Clausen – Non-Executive Director
- D.N.J. Williams – 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 to S.A. Clausen 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).

During the year, cash bonuses totalling $33,552 were paid to R.M. Barrie, D.N.J. Williams and N.L. Katz relating to FY12 performance, and 1,259,461 fully paid ordinary shares were allocated to R.M. Barrie, D.N.J. Williams and N.L. Katz under the 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. Included in the cash salary and fees are short term benefits being director fees and management contracts.

	Short-term benefits					Post employment benefits	Share-based payments	Total
	Directors' fees $	Consulting fees $	Cash salary and fees $	Bonus $	Other $	Super-annuation $	Shares $	$
Non-Executive Directors:								
S.A. Clausen								
2013	**3,125**	**-**	**-**	**-**	**-**	**-**	**-**	**3,125**
2012	-	-	-	-	-	-	-	-
Executive Directors:								
R.M. Barrie								
2013	**-**	**-**	**275,072**	**-**	**17,583**	**26,493**	**3,341**	**322,490**
2012	-	-	263,762	15,482	16,323	23,739	-	319,305
D.N.J. Williams								
2013	**-**	**111,666**	**45,767**	**-**	**-**	**4,233**	**4,177**	**165,843**
2012	-	104,166	-	8,047	-	-	-	112,213
Other Key Management Personnel:								
N.L. Katz								
2013	**-**	**151,000**	**109,260**	**-**	**-**	**7,406**	**1,800**	**269,467**
2012	-	126,000	-	10,023	-	-	-	136,023

D.N.J. Williams and N.L. Katz were subject to consulting agreements until October 2013 and July 2013 respectively, after which they each entered into employment agreements.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration 2013 %	Fixed remuneration 2012 %	At risk 2013 %	At risk 2012 %
Non-Executive Directors:				
S.A. Clausen	**100%**	-	**-**	-
Executive Directors:				
R.M. Barrie	**100%**	95.2%	**-**	4.8%
D.N.J. Williams	**100%**	92.8%	**-**	7.2%
Other Key Management Personnel:				
N.L. Katz	**100%**	92.6%	**-**	7.4%

There is no link between remuneration and the market price of the Company's shares.

Executive service agreements
The employment terms and conditions of key management personnel and Group Executives are formalised in service agreements.

Chief Executive Officer	• Term: unspecified. • Base remuneration: Reviewed annually by the Nomination and Remuneration Committee. • Bonus entitlements: Determined annually by the Nomination and Remuneration Committee (capped at 50% of the base remuneration). • Termination notice period: 6 months notice or alternatively in Freelancer's case, payment in lieu of notice. • Restraint of trade period: 12 months.
Chief Technology Officer	• Term: unspecified. • Base remuneration: Reviewed annually by the Nomination and Remuneration Committee. • Bonus entitlements: Determined annually by the Nomination and Remuneration Committee (capped at 50% of the base remuneration). • Termination notice period: 3 months notice or alternatively in Freelancer's case, payment in lieu of notice. • Restraint of trade period: 12 months.
Other Executives	Other Executives are employed under individual executive services agreements. These establish, amongst other things: • total compensation; • eligibility to participate in the ESP; • variable notice and termination provisions of up to 3 months, or by the Group without notice in the event of serious misconduct; and • restraint and confidentiality provisions.

Additional information

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

	2009	2010	2011	2012	2013
Revenue ($000)	1,983	4,702	6,460	10,627	18,761
Net profit / (loss) ($000)	(529)	555	(476)	728	753
Share price at year end ($)	n/a	n/a	n/a	n/a	$1.38
Dividends paid (cents)	Nil	Nil	Nil	Nil	Nil

This concludes the Remuneration Report, which has been audited.

The Directors' 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

27 February 2014

AUDITOR'S INDEPENDENCE DECLARATION

HALLCHADWICK

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

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2013 there have been:

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

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

Hall Chadwick

Hall Chadwick
Level 40, 2 Park Street
Sydney NSW 2000

DREW TOWNSEND
Partner
Dated: 27 February 2014

CORPORATE GOVERNANCE STATEMENT

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

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

Principle 1 – Lay solid foundations for management and oversight

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

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

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

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

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

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

The Chief Executive Officer and Senior Executive management have service contracts and position descriptions, setting out their duties, responsibilities, and conditions of service and termination entitlements. Any new Directors appointed will receive formal letters of appointment setting out the key terms, conditions and expectations of their appointment.

The Chief Executive Officer and Senior Executive management are subject to a formal performance review process on an annual basis. The Nomination and Remuneration Committee reviews the performance of the Chief Executive Officer and Senior Executive management against clear performance objectives. A performance review will be undertaken in 2014.

Principle 2 – Structure of the Board to add value

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

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

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

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

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

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

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

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

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

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

The Nomination and Remuneration Committee is responsible for:

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

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

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

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

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

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

Principle 3 – Promote ethical and responsible decision-making

The Board recognises the need to observe high standards of corporate practice and business conduct. Accordingly, the Board of Directors has adopted a formal Code of Conduct to be followed by all personnel and officers.

The Code of Conduct also sets out the Company's policies on various matters including ethical conduct, business conduct, compliance, privacy, security of information, bribery and corruption, and conflicts of interest.

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

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

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

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

1. during a Blackout Period (the period from the close of trading on the ASX at the end of each half year and full year until the close of trading on the day following the announcement to the ASX of the half year or full year results, or any other period that the Board specifies from time to time); or
2. while in possession of inside information concerning the Company (whether or not it is a Blackout Period) either:
    a. buy or sell the Company's securities at any time;
    b. procure another person to deal in the Company's securities in any way; or
    c. directly or indirectly, communicate the information, or cause the information to be communicated, to another person if the person knows, or ought reasonably to know, that the other person would, or would be likely to:
        i. deal in the Company's securities in any way;
        ii. procure a third person to deal in the Company's securities in any way; or
        iii. pass that information onto another person.

All Key Management Personnel and other employees are prohibited from dealing in the securities of outside companies about which they acquire inside information through their position with the Company (whether or not it is a Blackout Period).

Diversity Policy

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

1. the establishment of measurable objectives for achieving diversity; and
2. a requirement for the Board to assess annually both these objectives and the progress in achieving them.

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

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

The Board will establish measurable objectives for achieving gender diversity in the upcoming financial year and will report on the progress in achieving them in the following year's Annual Report.

As at 31 December 2013, the proportion of women employed by the Company was as follows:

- Board of Directors: 0%
- Senior Executive positions: 0%
- Total Company workforce: 33%

Workplace Gender Equality

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

A copy of the Company's 2013 report to the Workplace Gender Equality Agency will be made available on the Company's website, www.freelancer.com.

Principle 4 – Safeguard integrity in financial reporting

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

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

Currently, the Committee comprises of Mr R.M. Barrie, Mr D.N.J. Williams (Chairman) and Mr S.A. Clausen. The members of the Committee are not independent Directors. The Chairman of the Committee is not Chairman of the Board. The Board acknowledges the ASX Recommendations that the Audit Committee should consist only of non-executive

Directors, have a majority of independent Directors and be chaired by an independent chair.

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

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

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

The Audit Committee is responsible for:

1. overseeing the process of financial reporting, internal control, continuous disclosure, financial and non-financial risk management and compliance and external audit;
2. encouraging effective relationships with, and communication between, the Board, Management and the Company's external auditor;
3. evaluating the adequacy of processes and controls established to identify and manage areas of potential financial risk and to seek to safeguard the assets of the Company;
4. overseeing that all proper remedial action is undertaken to redress areas of weakness;
5. overseeing the Group's compliance with prescribed policies;
6. reporting to the Board on any of the above responsibilities and functions;
7. recommending to the Board the appointment, reappointment or replacement of the external auditor;
8. approving rotation of partners of the external auditor;
9. reviewing and approving the audit plans and engagement letters of the external auditor, including payment of annual fees and variations to approved fees;
10. reviewing the overall scope of the external audit, including identified risk areas and any additional agreed-upon procedures;
11. considering the overall effectiveness and independence of the external auditor; and
12. resolving any disagreements between management and the external auditor regarding financial reporting.

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

Details of the Committee members' attendance at Committee meetings are set out in the Directors' Report. The minutes of each Committee meeting are reviewed at the subsequent Board meeting and signed as an accurate record of proceedings. At the subsequent Board meeting the Chairman of the Committee reports on the Committee's conclusions and recommendations.

Principle 5 – Make timely and balanced disclosure

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

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

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

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

Type of information that needs to be disclosed

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

ASX Communications Officer

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

Principle 6 – Respect the rights of shareholders

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

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

The Company also communicates with shareholders through the:

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

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

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

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

Principle 7 – Recognise and manage risk

Risk oversight and management policies

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

Management is responsible for identifying major risk areas and monitoring risk management to provide assurance that major business risks are identified, consistently assessed and appropriately addressed and must report on these matters to the Board.

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

The key aspects of this Risk Management Policy are:

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

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

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

Principle 8 – Remunerate fairly and responsibly

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

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

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

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

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

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

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 December 2013

	Note	Consolidated 2013 $000	Consolidated 2012 $000
Revenue	6	**18,761**	10,627
Cost of sales		**(2,319)**	(1,342)
Gross profit		**16,442**	9,285
Employee expenses	7	**(9,669)**	(5,310)
Administrative expenses		**(4,475)**	(2,769)
Occupancy costs		**(756)**	(464)
Foreign exchange (losses) / gains	7	**(366)**	27
Initial public offering costs		**(394)**	-
Depreciation and amortisation expenses	7	**(186)**	(94)
Share-based payments expense		**(33)**	-
Profit before interest and tax		**563**	677
Finance costs	7	**(5)**	(1)
Profit before income tax		**558**	676
Income tax benefit	8	**195**	52
Profit after tax		**753**	728
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**(230)**	19
Total comprehensive income for the year		**523**	747

		Cents	Cents
Earnings per share based on profit, attributable to the ordinary equity holders of Freelancer Limited:			
Basic earnings per share	29	**0.19**	4.79
Diluted earnings per share	29	**0.19**	4.79

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Note	Consolidated 2013 $000	Consolidated 2012 $000
Assets			
Current assets			
Cash and cash equivalents	9	**24,387**	9,660
Trade and other receivables	10	**2,163**	1,406
Current tax assets	8	**-**	160
Other assets	11	**401**	165
Total current assets		**26,950**	11,391
Non-current assets			
Trade and other receivables	10	**176**	-
Plant and equipment	12	**561**	428
Intangible assets	13	**8,886**	7,485
Deferred tax assets	8	**806**	329
Total non-current assets		**10,429**	8,243
Total assets		**37,379**	19,634
Liabilities			
Current liabilities			
Trade and other payables	14	**18,319**	16,099
Current tax liabilities	8	**169**	-
Provisions	15	**487**	277
Total current liabilities		**18,975**	16,377
Non-current liabilities			
Deferred tax liabilities	8	**15**	54
Total non-current liabilities		**15**	54
Total liabilities		**18,990**	16,431
Net assets		**18,389**	3,202
Equity			
Contributed equity	16	**17,556**	2,925
Reserves	17	**(198)**	-
Retained earnings		**1,031**	278
Total equity		**18,389**	3,202

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2013

Consolidated	Note	Contributed Equity $000	Share-based payments $000	Foreign currency translation reserve $000	Retained Earnings $000	Total Equity $000
Balance at 1 January 2012		**2,925**	**-**	**(19)**	**(450)**	**2,455**
Profit for the year		-	-	-	728	728
Exchange differences on translation of foreign operations	17	-	-	19	-	19
Total comprehensive income for the year		**-**	**-**	**19**	**728**	**747**
Transactions with owners in their capacity as owners:						
Share-based payments		-	-	-	-	-
Balance at 31 December 2012		**2,925**	**-**	**-**	**278**	**3,202**

Consolidated	Note	Contributed Equity $000	Share-based payments $000	Foreign currency translation reserve $000	Retained Earnings $000	Total Equity $000
Balance at 1 January 2013		**2,925**	**-**	**-**	**278**	**3,202**
Profit for the year		-	-	-	753	753
Exchange differences on translation of foreign operations	17	-	-	(230)	-	(230)
Total comprehensive income for the year		**-**	**-**	**(230)**	**753**	**523**
Transactions with owners in their capacity as owners:						
Cancellation of Series A preference shares	16	(2,553)	-	-	-	(2,553)
Issue of ordinary shares upon cancellation of Series A preference shares	16	2,553	-	-	-	2,553
Issue of ordinary shares	16	15,000	-	-	-	15,000
Capitalised equity raising costs (net of tax)		(369)	-	-	-	(369)
Share-based payments	17	-	33	-	-	33
Balance at 31 December 2013		**17,556**	**33**	**(230)**	**1,031**	**18,389**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2013

	Note	Consolidated 2013 $000	Consolidated 2012 $000
Cash flows from operating activities			
Receipts from customers		**18,824**	9,406
Payments to suppliers and employees		**(18,735)**	(8,261)
Interest received		**36**	27
Interest paid		**(5)**	(1)
Income taxes refunded / (paid)		**125**	(43)
Net cash inflow from operating activities	28	**245**	1,127
Cash flows from investing activities			
Payment for plant and equipment		**(319)**	(280)
Payments for intangible assets		**(1,401)**	(28)
Payment for other assets		**-**	(103)
Payments for acquisition of businesses	25	**-**	(3,061)
User obligations acquired	25	**-**	7,154
Net cash (outflow) inflow from investing activities		**(1,720)**	3,682
Cash flows from financing activities			
Proceeds from issue of share capital		**15,000**	-
Capitalised IPO costs		**(485)**	-
Net cash inflow from financing activities		**14,515**	-
Net increase in cash and cash equivalents		**13,039**	4,810
Cash and cash equivalents at beginning of the financial year		**9,660**	4,859
Effects of exchange rate changes on cash and cash equivalents		**1,687**	(9)
Cash and cash equivalents at end of the year	9	**24,387**	9,660

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

NOTES TO THE FINANCIAL STATEMENTS

contents

to the notes to the consolidated financial statements

1. Reporting entity

Freelancer Limited (the Company) is a company domiciled in Australia. The address of the Company's registered office is Suite 52 Jones Bay Wharf, 26-32 Pirrama Rd, Pyrmont, NSW, 2009. The consolidated financial statements of the Company as at and for the year ended 31 December 2013 comprise the Company and its subsidiaries (together referred to as the Group and individually as Group entities) and the Group's interest in associates and jointly controlled entities. The Group is a for-profit entity and primarily is involved in operating an online marketplace for 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.

2. Basis of preparation

(a) Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board.

The consolidated financial statements were authorised for issue by the Board of Directors on 27 February 2014.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis unless otherwise stated in the notes.

(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 3.

3. Significant accounting policies

(a) Principles of consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent Freelancer Limited and all of the subsidiaries. Subsidiaries are entities the parent controls. The parent 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 over the entity. A list of the subsidiaries is provided in Note 26.

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

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

(b) 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.

(c) Tax

Current tax
Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax
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; and

- 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.

Tax exposures
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 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.

(d) Plant and equipment

Plant and equipment are measured on a cost basis indicated less, where applicable, any accumulated depreciation and impairment losses.

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.

(e) Depreciation/amortisation

The depreciable amount of all fixed assets, is depreciated on a straight-line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are amortised over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

Class of Fixed Asset	Depreciation / Amortisation Rate
Fixtures and fittings	20-25%
Motor vehicles	25%
Office and computer equipment	20-25%
Software	33%
Leasehold improvements	50%

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.

(f) Intangibles

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 tested annually for impairment and carried at cost less accumulated impairment losses.

Domain Names
Domain names are valued at cost of acquisition. Domain names are tested annually 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.

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.

(g) Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

Employee benefits that are expected to be settled within 12 months have been measured at the amounts expected to be paid when the liability is settled. 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.

Share-based payments
The Group operates an employee share plan. Information relating to this plan is set out in the Note 22. The fair value of the effective option over the shares granted under the Freelancer 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.

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.

(h) Borrowing costs

All borrowing costs are recognised in profit and loss in the period in which they are incurred.

(i) 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.

(j) Cash and cash equivalents

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, and bank overdrafts.

(k) Trade 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.

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.

(l) 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 website prior to 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.

(m) Revenue recognition

The Company's net revenues result from transaction and other fees generated in its online marketplace. 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. 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 fees
Marketplace fees are recognised once the services have been completed and no significant obligation remains.

Advertising fees
A sale is recorded when a customer's advertisement has been displayed or when a referral has been generated leading to an enforceable claim by the Group.

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.

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

(n) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances, the GST 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 receivable or payable. The net amount of GST recoverable from, or payable to, the ATO 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 components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(o) 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.

(p) 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.

(q) 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.

(r) Earnings per share

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.

(s) Financial instruments

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

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

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

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

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

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

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

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

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

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

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

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in the profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to the profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors (or a group of debtors) are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account, or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

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.

Derecognition
Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in the profit or loss.

(t) Impairment of assets

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

(u) Leases

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

(v) 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.

(w) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(x) Segment reporting

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.

(y) Rounding of amounts

The Company has applied the relief available to it under ASIC Class Order 98/100. Accordingly, amounts in the financial statements and Directors' Report have been rounded off to the nearest $1,000.

(z) Critical accounting estimates and judgments

The Directors evaluate estimates and judgments 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.

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 2013, 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 controlled entities fail to perform, an impairment loss would be recognised up to the maximum carrying value of intangible assets at 31 December 2013 of $8,886,000 (2012: $7,485,000).

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 using a Black-Scholes option pricing model, with the assumptions detailed in Note 22. The accounting estimates and assumptions relating to equity settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

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

(aa) Parent entity financial information

The financial information for the parent entity, Freelancer Limited, disclosed in Note 24 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.

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.

(bb) 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 2012, other than set out below.

The Group has adopted the following new and amended accounting standards from 1 January 2013:

- AASB 10 Consolidated Financial Statements (refer to Note 3(a))
- AASB 11 Joint Arrangements
- AASB 12 Disclosure of Interests in Other Entities
- AASB 13 Fair Value Measurement
- AASB 119 Employee Benefits

Not all of these standards or amendments impact the Group's consolidated annual report. If a standard or amendment affects the Group, it is described, together with the impact, above.

(cc) New Accounting Standards for application in future periods

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

- AASB 9: Financial Instruments (December 2010) and AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010). These Standards are applicable retrospectively and include revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments.

The key changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in the profit or loss and there is no impairment or recycling on disposal of the instrument;

- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

These Standards are mandatorily applicable for annual reporting periods commencing on or after 1 January 2015. Although the directors anticipate that the adoption of AASB 9 and AASB 2010–7 may have a significant impact on the Group's financial instruments, it is impracticable at this stage to provide a reasonable estimate of such impact.

- AASB 2011–4: Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (applicable for annual reporting periods beginning on or after 1 July 2013).

This Standard makes amendments to AASB 124: Related Party Disclosures to remove the individual key management personnel disclosure requirements (including paras Aus29.1 to Aus29.9.3).

This Standard is not expected to significantly impact the Group's financial report as a whole because it is anticipated that such disclosure will be contained in the directors' report.

- AASB 2012–3: Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (applicable for annual reporting periods commencing on or after 1 January 2014). This Standard provides clarifying guidance relating to the offsetting of financial instruments, which is not expected to impact the Group's financial statements.

- Interpretation 21: Levies (applicable for annual reporting periods commencing on or after 1 January 2014).

Interpretation 21 clarifies the circumstances under which a liability to pay a levy imposed by a government should be recognised, and whether that liability should be recognised in full at a specific date or progressively over a period of time. This Interpretation is not expected to significantly impact the Group's financial statements.

- AASB 2013–3: Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard amends the disclosure requirements in AASB 136: Impairment of Assets pertaining to the use of fair value in impairment assessment and is not expected to significantly impact the Group's financial statements.

- AASB 2013–4: Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting (applicable for annual reporting periods commencing on or after 1 January 2014).

AASB 2013–4 makes amendments to AASB 139: Financial Instruments: Recognition and Measurement to permit the continuation of hedge accounting in circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. This Standard is not expected to significantly impact the Group's financial statements.

- AASB 2013–5: Amendments to Australian Accounting Standards – Investment Entities (applicable for annual reporting periods commencing on or after 1 January 2014).

AASB 2013–5 amends AASB 10: Consolidated Financial Statements to define an "investment entity" and requires, with limited exceptions, that the subsidiaries of such entities be accounted for at fair value through profit or loss in accordance with AASB 9 and not be consolidated. Additional disclosures are also required. As neither the parent nor its subsidiaries meet the definition of an investment entity, this Standard is not expected to significantly impact the Group's financial statements.

4. Financial risk management

Financial risk management objectives
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	Consolidated 2013 $000	Consolidated 2012 $000
Financial Assets			
Cash and cash equivalents	9	**24,387**	9,660
Trade and other receivables	10	**2,339**	1,406
Other financial assets		**191**	145
Total financial assets		**26,917**	11,211
Financial Liabilities			
Trade and other payables	14	**18,319**	16,099
Other financial liabilities		**-**	-
Total financial liabilities		**18,319**	16,099

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.

(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:

2013

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	10,192	11,057	73	175	865	121	5,589	206	305	14,164	20
Trade receivables	301	1,702	5	24	-	23	2,195	41	19	-	-
Payables	(419)	(398)	-	-	-	2	(109)	(2)	(3)	(109)	(10)
User obligations	(1,178)	(12,768)	(69)	(273)	(203)	(86)	(189)	(441)	(224)	(6,946)	(35)
Net exposure	**8,896**	**(407)**	**8**	**(75)**	**662**	**61**	**7,487**	**(196)**	**97**	**7,109**	**(26)**

2012

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	850	6,987	209	274	450	51	1,178	366	857	1,526	22
Trade receivables	219	981	-	1	-	34	-	1	142	-	0
Payables	(467)	(99)	-	-	-	(27)	-	(6)	(70)	(202)	(11)
User obligations	(856)	(14,025)	(42)	(182)	(79)	(29)	(210)	(275)	(139)	(587)	(9)
Net exposure	**(253)**	**(6,157)**	**167**	**93**	**372**	**28**	**968**	**86**	**791**	**737**	**2**

The Group had net liabilities denominated in foreign currencies of $349,000 (assets $16,329,000 less liabilities $16,679,000) as at 31 December 2013 (2012: $4,664,000 (assets $9,914,000 less liabilities $14,578,000)).

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 2013. 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:

		Profit or Loss			
		2013 $000		2012 $000	
		High	Low	High	Low
AUD to USD	(Range +5% to -5%)	**22**	**(24)**	283	(312)
AUD to NZD	(Range +5% to -5%)	**-**	**-**	(6)	7
AUD to GBP	(Range +5% to -5%)	**7**	**(7)**	(7)	8
AUD to HKD	(Range +5% to -5%)	**(5)**	**5**	(3)	3
AUD to SGD	(Range +5% to -5%)	**(3)**	**3**	(1)	1
AUD to PHP	(Range +5% to -5%)	**(9)**	**10**	(1)	1
AUD to EUR	(Range +5% to -5%)	**15**	**(16)**	(5)	6
AUD to CAD	(Range +5% to -5%)	**(5)**	**5**	(36)	40
AUD to INR	(Range +5% to -5%)	**(6)**	**7**	(1)	1
Net movement		**15**	**(17)**	222	(246)

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 2013 the Group has $24,387,000 (2012: $9,660,000) held in bank accounts and online payment gateways. The Group's cash balances are predominantly held in interest bearing bank accounts. Funds that are excess to short term liquidity requirements are generally invested in short term deposits.

(b) Credit risk

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

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

(c) Liquidity risk

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

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

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

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

	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
2013					
Non-derivatives					
Non-interest bearing					
Trade and other payables	**18,319**	**-**	**-**	**-**	**-**
	18,319				
2012					
Non-derivatives					
Non-interest bearing					
Trade and other payables	16,099	-	-	-	-
	16,099				

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.

5. Operating segments

Identification of reportable operating segments
The Group is organised into one operating segment namely an online marketplace. This segment is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers (CODM) in assessing performance and in determining the allocation of resources (AASB 8 para. 5(b)).

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

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

6. Revenue

	Consolidated 2013 $000	Consolidated 2012 $000
Sales revenue		
Marketplace fees	**18,257**	10,087
Advertising fees	**248**	308
Other revenue		
Interest income	**72**	27
Government grants	**148**	150
Other	**36**	56
Total revenue	**18,761**	10,627

The comparative marketplace fees for the year ended 31 December 2012 include a reclassification of $428,000 of foreign exchange transaction fees, which were previously reflected as part of foreign exchange gains and losses.

7. Expenses

Profit before income tax expense includes the following specific net losses and expenses:

	Consolidated 2013 $000	Consolidated 2012 $000
Employee expense		
Wages and salaries (including superannuation)	**8,710**	4,786
Other employment costs	**959**	523
Total employee expenses	**9,669**	5,310
Depreciation and amortisation		
Plant and equipment	**164**	67
Leasehold improvements	**21**	26
Total depreciation and amortisation expenses	**186**	94
Rental expense relating to operating leases		
Minimum lease payments	**491**	294
Net foreign exchange losses / (gains)	**366**	(27)
Finance costs		
Interest expense	**5**	1

8. Income tax

	Consolidated 2013 $000	Consolidated 2012 $000
(a) Income tax		
Current tax	**204**	(85)
Deferred tax	**(399)**	30
Under provision in prior years	**-**	3
Income tax (benefit)	**(195)**	(52)
Deferred income tax expense included in income tax expense comprises:		
(Increase) / decrease in deferred tax assets	**(360)**	18
(Decrease) / increase in deferred tax liability	**(39)**	12
Total deferred income tax	**(399)**	30
(b) Numerical reconciliation of income tax benefit to prima facie income tax payable		
Profit from ordinary activities before income tax expense	**558**	676
Tax at the Australian rate of 30%	**168**	203
Tax effect amounts which are not deductible / (taxable) in calculating taxable income:		
R&D tax incentive	**(360)**	(271)
Difference in tax rate	**(152)**	12
Share based payments	**10**	-
Under provision in prior years	**-**	3
Allowable deductions in equity	**(29)**	-
Other non allowable items	**169**	1
Income tax (benefit)	**(195)**	(52)
(c) Amounts recognised directly in equity		
Deferred tax associated with the issue of IPO shares	**117**	-

	Consolidated 2013 $000	Consolidated 2012 $000
(d) Deferred tax assets		
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Employee benefits	**130**	78
Provision for user disputes & refunds	**33**	16
Legal fees	**24**	25
IPO costs	**94**	-
Foreign exchange losses	**98**	4
Intangible assets	**77**	56
Provision for impairment of receivables	**210**	136
Audit fees	**14**	14
Other	**9**	-
Total amounts recognised in profit or loss	**689**	329
Amounts recognised directly in equity:		
IPO costs	**117**	-
Total amounts recognised directly in equity	**117**	-
Net deferred tax assets	**806**	329
Movements:		
Opening balance at beginning of year	**329**	348
(Credited) / debited to the profit or loss statement	**360**	(18)
Credited to equity	**117**	-
Closing balance at end of year	**806**	329
(e) Deferred tax liabilities		
The balance comprises temporary differences attributable to:		
Unrealised foreign exchange gains	**-**	54
Fixed assets	**15**	-
Net deferred tax liabilities	**15**	54
Movements:		
Opening balance at beginning of year	**54**	43
Credited to the profit or loss statement	**(39)**	11
Closing balance at end of year	**15**	54
(f) Current tax asset / (liabilities)		
Current tax (liabilities) / assets	**(169)**	160
Franking credits		
Franking credits available at the reporting date based on a tax rate of 30%	**-**	-

Freelancer Limited and its wholly-owned Australian entities elected to form an income tax consolidated group as of 12 April 2010. The accounting policy on implementation of the income tax consolidation legislation is set out in Note 3.

9. Cash and cash equivalents

	Consolidated 2013 $000	Consolidated 2012 $000
Current		
Cash at bank and on hand	**16,362**	8,664
Term deposits	**8,025**	996
Total cash and cash equivalents	**24,387**	9,660

10. Trade and other receivables

	Consolidated 2013 $000	Consolidated 2012 $000
Current		
Trade receivables	**830**	683
Less: provisions for impairment of trade receivables	**(701)**	(454)
Current trade receivables net of provisions for impairment	**129**	228
Payment gateway receivables	**1,998**	699
Other receivables	**36**	478
Total current trade and other receivables	**2,163**	1,406
Non-Current		
Payment gateway receivables	**176**	-
Total trade and other receivables	**2,339**	1,406

(a) Provision for impaired trade receivables

	2013	2012
Opening balance	**454**	296
Provisions for impairment recognised during the year	**153**	163
Exchange differences	**94**	(5)
Closing balance	**701**	454

(b) Ageing of trade receivables

	2013	2012
1 – 30 days	**129**	137
31 – 60 days	**82**	87
61 – 90 days	**68**	74
90+ days	**551**	384
Provision for impairment	**(701)**	(454)
Total trade receivables net of provisions for impairment	**129**	228

(c) Other receivables

Other receivables as at 31 December 2013 are predominantly attributable to accrued interest. Other receivables in 2012 were predominantly attributable to a retention held in escrow from the vendor of vWorker (refer to Note 25).

The comparative trade receivables as at 31 December 2012 has been restated and includes a reclassification of $683,000 of user receivables and a $454,000 provision for the impairment of those user receivables. User receivables and provisions for the impairment of user receivables were previously reflected on a net basis as a reduction in user obligations in the Group's 2012 accounts (refer to Note 14).

11. Other assets

	Consolidated 2013 $000	Consolidated 2012 $000
Current		
Security deposits	**191**	145
Prepayments	**209**	20
Total other assets	**401**	165

12. Plant and equipment

	Consolidated 2013 $000	Consolidated 2012 $000
Non-current		
Office and computer equipment – at cost	**459**	277
Accumulated depreciation	**(135)**	(41)
Carrying value of office and computer equipment	**324**	235
Fixtures and fittings – at cost	**263**	177
Accumulated depreciation	**(91)**	(46)
Carrying value of fixtures and fittings	**172**	130
Motor vehicles – at cost	**42**	42
Accumulated depreciation	**(35)**	(24)
Carrying value of motor vehicles	**8**	18
Software – at cost	**6**	6
Accumulated depreciation	**(6)**	(4)
Carrying value of software	**(0)**	1
Leasehold improvements – at cost	**129**	69
Accumulated amortisation	**(72)**	(26)
Carrying value of leasehold improvements	**57**	43
Total carrying value of plant and equipment and leasehold improvements	**561**	428

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:

Consolidated	Office and computer equipment $000	Fixtures and fittings $000	Motor Vehicles $000	Software $000	Leasehold improvements $000	Total $000
Balance at 31 December 2011	**95**	**115**	**29**	**3**	**-**	**242**
Additions	167	74	-	-	69	310
Disposals	-	(30)	-	-	-	(30)
Depreciation	(27)	(28)	(11)	(1)	(26)	(94)
Balance at 31 December 2012	**235**	**130**	**18**	**1**	**43**	**428**
Additions	170	90	-	-	59	319
Depreciation	(82)	(48)	(11)	(1)	(45)	(186)
Balance at 31 December 2013	**324**	**172**	**8**	**(0)**	**57**	**561**

13. Intangible assets

	Consolidated 2013 $000	Consolidated 2012 $000
Non-current		
Trademarks – at cost	**-**	-
Accumulated impairment losses	**-**	-
Carrying value of trademarks	**-**	-
Domain names – at cost	**2,852**	1,451
Accumulated impairment	**(28)**	(28)
Accumulated amortisation	**-**	-
Carrying value of domain names	**2,824**	1,423
Goodwill – at cost	**6,062**	6,062
Accumulated impairment	**-**	-
Accumulated amortisation	**-**	-
Carrying value of goodwill	**6,062**	6,062
Total carrying value of intangible assets	**8,886**	7,485

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:

Consolidated	Trademarks $000	Domain names $000	Goodwill $000	Total $000
Balance at 31 December 2011	**-**	**1,451**	**6,062**	**7,513**
Impairment	-	(28)	-	(28)
Amortisation	-	-	-	-
Balance at 31 December 2012	**-**	**1,423**	**6,062**	**7,485**
Additions	-	1,401	-	1,401
Impairment	-	-	-	-
Amortisation	-	-	-	-
Balance at 31 December 2013	**-**	**2,824**	**6,062**	**8,886**

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, goodwill and trademarks based on the 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 by using a declining rate of growth to reflect a maturing growth profile.

Key assumptions used in the discounted cash flow model in relation to the intangibles included a 30% pre-tax discount rate, 2.5% terminal growth rate and constant annual free cash flow growth rate over the forecast period of 11%.

The discount rate of 30% pre-tax reflects management’s estimate of the time value of money and the Group’s weighted average cost of capital adjusted for the risk free rate and the volatility of the share price relative to market movements.

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

14. Trade and other payables

	Consolidated 2013 $000	Consolidated 2012 $000
Current		
Trade payables	**710**	238
Sundry payables and accrued expenses	**128**	408
User obligations	**17,481**	15,454
Total trade and other payables	**18,319**	16,099

The comparative user obligations for the year ended 31 December 2012 has been restated and reflects a reclassification of the amount of $683,000 in user receivables and a $454,000 provision for the impairment of those user receivables. The net amount of user receivables and provisions for the impairment of user receivables were previously reflected as a reduction in user obligations in the Group's 2012 accounts (refer to Note 10).

15. Provisions

	Consolidated 2013 $000	Consolidated 2012 $000
Current		
Provision for user disputes and refunds	**110**	54
Employee benefits	**377**	223
Total provisions	**487**	277

16. Contributed equity

(a) Share capital

	Notes	31-Dec-13 Number	31-Dec-12 Number	Consolidated 2013 $000	Consolidated 2012 $000
Ordinary shares					
Fully Paid	16(b)	**430,000,000**	8,818,001	**17,556**	372
Series A preference shares					
Fully Paid	16(c)	**-**	6,381,501	**-**	2,553
Total share capital				**17,556**	2,925

(b) Movements in ordinary share capital

Date	Details	Number of shares	Share price	$000
1 January 2013	Opening balance	8,818,001	$0.04	372
14 October 2013	Conversion of preference shares	6,381,501	$0.40	2,553
14 October 2013	Share split	384,800,498	-	-
14 October 2013	Issue of ESP shares[1]	900,000	$0.50	-
13 November 2013	Issue of ordinary shares under IPO[2]	30,000,000	$0.50	14,631
13 November 2013	Issue of ESP shares under IPO[1]	5,100,000	$0.50	-
31 December 2013	**Closing balance**	**436,000,000**		**17,556**

(c) Movements in Series A preference share capital

Date	Details	Number of shares	Share price	$000
1 January 2013	Opening balance	6,381,501	$0.40	2,553
14 October 2013	Conversion to ordinary shares	(6,381,501)	$0.40	(2,553)
31 December 2013	**Closing balance**	**-**		**-**

Note

1. *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 loan receivable does not satisfy the "probable future benefits following to the entity" criteria of SAC 2 Framework for the Preparation and Presentation of Financial Statements 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.*

2. *Net of transaction costs of $485,000 and associated tax benefit of $117,000.*

(d) 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.

(e) Series A preference shares

The Series A preference shares were converted to ordinary shares on 14 October 2013. The Series A preference shares were not redeemable and the Series A preference shareholders had the same right as the ordinary shareholder at the shareholders' meeting. Series A preference shareholders had the right, at any time, to convert Series A preference share into a number of fully paid ordinary shares calculated in accordance with the Constitution at the time. If a target realisation event occurred, all of the Series A preference shares would, just prior to the implementation of the target realisation event, be converted into a number of fully paid ordinary shares in accordance with the Constitution at the time. In the event of an issue of shares or other securities in the capital at a price less than the issue price for a Series A preference share or at a price less than any previously adjusted conversion price calculated in accordance with the Constitution at the time whether by way of new issue or exercise of options or other convertible securities, the conversion price for the Series A preference share would have been adjusted in accordance with the Constitution at the time.

(f) Employee Share Plan (ESP)

Information relating to the Employee Share Plan, including details of shares issued under the plan, is set out in Note 22.

(g) 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 31 December 2012 Financial Report.

17. Equity – reserves

	Consolidated	
	2013	2012
	$000	$000
Share based payment reserve movements		-
Balance at the beginning of the financial year	**-**	-
Share based payment expense	**33**	-
Balance at the end of the financial year	**33**	-
Foreign currency translation reserve movements		
Balance at the beginning of the financial year	**-**	(19)
Currency translation differences arising during the year	**(230)**	19
Balance at the end of the financial year	**(230)**	-

18. 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 – 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

Detailed remuneration disclosures are provided in the Remuneration Report.

	Consolidated 2013 $000	Consolidated 2012 $000
Short-term employee benefits	**713**	544
Share-based employee benefits	**9**	-
Other long term benefits	**38**	24
Total benefits	**761**	568

(d) ESP shares

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

	Balance at the start of the year	Granted as remuneration during the year	Expired during the year	Acquired during the year	Balance at the end of the year	Vested during the year	Vested and exerciseable	Vested and unexercisable
2013								
Directors:								
R.M. Barrie	-	400,000	-	-	400,000	-	-	-
S.A. Clausen	-	-	-	-	-	-	-	-
D.N.J. Williams	-	500,000	-	-	500,000	-	-	-
Other KMP:								
N.L. Katz	-	359,461	-	-	359,461	-	-	-
	-	**1,259,461**	**-**	**-**	**1,259,461**	**-**	**-**	**-**
2012								
Directors:								
R.M. Barrie	-	-	-	-	-	-	-	-
S.A. Clausen	-	-	-	-	-	-	-	-
D.N.J. Williams	-	-	-	-	-	-	-	-
Other KMP:								
N.L. Katz	-	-	-	-	-	-	-	-
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**

(e) Ordinary share capital

Details of ordinary shares in the Company held directly, indirectly or beneficially, by key management personnel (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	Conversion of Series A preference shares	Share split	Balance at the end of the year
2013							
Directors:							
R.M. Barrie[1]	7,630,001	-	534,000	-	-	193,166,077	201,330,078
S.A. Clausen	-	-	2,000,000	-	6,381,501	161,558,238	169,939,739
D.N.J. Williams[2]	460,000	-	128,000	-	-	11,645,660	12,233,660
Other KMP:							
N.L. Katz[3]	-	-	440,000	-	-	-	440,000
	8,090,001	**-**	**3,102,000**	**-**	**6,381,501**	**366,369,975**	**383,943,477**
2012							
Directors:							
R.M. Barrie[1]	7,630,001	-	-	-	-	-	7,630,001
S.A. Clausen	-	-	-	-	-	-	-
D.N.J. Williams	460,000	-	-	-	-	-	460,000
Other KMP:							
N.L. Katz	-	-	-	-	-	-	-
	8,090,001	**-**	**-**	**-**	**-**	**-**	**8,090,001**

Notes

1. *1,279,500 shares as at 31 December 2013 (2012: 30,000) are held directly or indirectly by related parties.*

2. *128,000 shares as at 31 December 2013 (2012: nil) are held directly or indirectly by related parties.*

3. *290,000 shares as at 31 December 2013 (2012: nil) are held directly or indirectly by related parties.*

(f) Series A preference share capital

Details of series A preference shares in the Company held directly, indirectly or beneficially, by key management personnel (KMP), including their related parties, is as follows:

	Balance at the start of the year	Received as part of remuneration	Purchase of preference shares	Sale of preference shares	Conversion to ordinary shares	Balance at the end of the year
2013						
Directors:						
S.A. Clausen	6,381,501	-	-	-	(6,381,501)	-
	6,381,501	**-**	**-**	**-**	**(6,381,501)**	**-**
2012						
Directors:						
S.A. Clausen	6,381,501	-	-	-	-	6,381,501
	6,381,501	**-**	**-**	**-**	**-**	**6,381,501**

(g) 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 key management personnel (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 loan receivable does not satisfy the "probable future benefits following to the entity" criteria of SAC 2 Framework for the Preparation and Presentation of Financial Statements 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. Further information relating to the ESP is set out in the Note 22.

	Consolidated	
	2013	2012
	$000	$000
Directors:		
R.M. Barrie	**200**	-
S.A. Clausen	**-**	-
D.N.J. Williams	**250**	-
Other KMP:		
N.L. Katz	**180**	-
Total loans to Directors and KMP	**630**	-

(h) Other transactions with directors and key management personnel

During the year there were no other transactions with key management personnel, apart from related party transactions disclosed in Note 23.

19. 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:

	Consolidated	
	2013	2012
	$000	$000
(a) Hall Chadwick		
Audit and other assurance services		
Audit and review of financial reports	**45**	32
Due diligence services	**50**	-
Total remuneration for audit and other assurance services	**95**	32
Taxation services		
Tax compliance services, including review of Company income tax returns	**8**	8
Total remuneration of Hall Chadwick	**103**	40
(b) Audit firms other than Hall Chadwick		
Audit and other assurance services		
Audit and review of financial reports	**6**	3
Taxation services		
Tax compliance services, including review of Company income tax returns	**4**	4
Total remuneration of non Hall Chadwick audit firms	**10**	7
Total auditors remuneration	**113**	47

20. Contingent liabilities

Except for the contingent liabilities listed below, there are no other contingent liabilities as at 31 December 2013:

- a collateral amount of USD100,000 (2012: USD100,000) is in place in one of the Group's PayPal accounts in favour of PayPal Australia Pty Ltd;
- a term deposit of $20,000 (2012: $20,000) is secured for corporate credit card facilities in place;
- a deposit of $313,000 (2012: $212,000) is held by Global Collect Services B.V, which is one of the Group's credit card processing providers, as security for any contractual compensation arising under this agreement; and
- a deposit of GBP 100,000 (2012: nil) is held by WorldPay (UK) Limited, which is one of the Group's credit card processing providers, as security for any contractual compensation arising under this agreement.

21. Commitments for expenditure

(a) Non-cancellable operating leases

The Group has entered into commercial leases for office property. As at 31 December 2013 these leases had remaining lives ranging from 1.5 months up to 60 months. Rentals paid under operating leases are charged to the income statement on a straight line basis over the period of the lease. Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

	Consolidated	
	2013	2012
	$000	$000
Less than one year	**1,739**	484
Between one and five years	**3,844**	134
More than five years	**-**	-
Total operating lease commitments	**5,583**	618

(b) Other capital commitments

In February 2014 the Group entered into a contract to conduct various leasehold improvements relating to a future commercial lease for office property in the Philippines amounting to PHP11.7million (approximately $300,000).

22. Share based payments

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.

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:
  - 25% of ESP shares applied for vesting on the date that is the first anniversary of the issue date of the ESP shares; and
  - 1/36th of the remaining number of ESP shares vesting on the last day of each calendar month commencing in the following calendar month.
- Eligible Employees who accept an invitation (ESP Participants) may be offered an interest free loan from the Company to finance the whole of the purchase of the ESP shares they are invited to apply for (ESP Loan). ESP Loans will have a term of 4 years and become repayable in full on the earlier of:
  - the fourth anniversary of the issue date of the Employee Offer Shares; and
  - if the ESP Participant ceases to be an Eligible Employee, either:
    - the date 30 days after the date of cessation, if the Eligible Employee is a good leaver (as defined in the ESP); or
    - that date of cessation, if the Eligible Employee is a bad leaver (as defined in the ESP).

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

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

(a) 2013 ESP Issue

All ESP shares offered to Eligible Employees under the 2013 ESP Issue were issued at an issue price of $0.50 (which was the offer price of ordinary shares issued under the Company's initial public offering).

All Eligible Employees who accepted an offer of ESP shares under the 2013 ESP Issue 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 terms of the ESP Loans relating to the 2013 ESP Issue are in accordance with the ESP.

All other terms relating to the ESP shares issued under the 2013 ESP Issue (including vesting) are in accordance with the ESP as described above.

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

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired / forfeited / other	Balance at the end of the year
2013							
14/10/13	-	$0.50	-	900,000	-	-	900,000
13/11/13	-	$0.50	-	5,100,000	-	-	5,100,000
Total			**-**	**6,000,000**	**-**	**-**	**6,000,000**
2012							
n/a	-	-	-	-	-	-	-

The ESP Loans are provided to participants on a non-recourse basis and are required to be repaid out of the proceeds of the sale or other disposal of the ESP shares only, or through dividends issued. The term of the ESP Loan is four years, however participants may forfeit their ESP shares if they do not repay the ESP Loan or leave the Company. As the ESP removes the risk to participants from decreases in the share price by limiting the maximum loan amount repayable to the value of the ESP shares disposed and waiving the ESP Loan should the participant forfeit their ESP shares, whilst still allowing participants the rewards of any increase in share price, the Company has effectively granted the participants an option to the ESP shares due to the ESP Loans being non-recourse. As such, this arrangement is accounted for under AASB 2.

The assessed weighted average fair value at grant date of the effective share options granted during the financial year is $0.16 per option (2012: nil). 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 model inputs for the two share option grants during the year ended 31 December 2013 include:

- Options were granted for no consideration;
- Exercise price: $0.50 (being the subscription price of the Company's initial public offering);
- Grant dates: October 2013 and November 2013;
- Expiry dates: Various based on the vesting terms of the ESP shares;
- Share price at grant date: $0.50 (being the subscription price of the Company's initial public offering);
- Expected price volatility of the Company's shares: 33.9% - 34.1%;
- Expected dividend yield: 0%; and
- Risk-free interest rate: 3.54% - 3.63%.

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.

23. Related party transactions

(a) Parent entity

Freelancer Limited is the parent entity and ultimate controlling entity.

(b) Subsidiaries

Interests in subsidiaries are set out in Note 26.

(c) Transactions with key management personnel

Disclosures relating to key management personnel are set out in Note 18 and the Remuneration Report.

(d) Transactions with related parties

The following transactions occurred with related parties:

	Consolidated 2013 $000	Consolidated 2012 $000
Licence fees paid to Startive Ventures, Inc a company associated with S.A. Clausen for the exclusive use of various domain names	**7**	-
Purchase of various domain names from Startive Ventures, Inc a company associated with S.A. Clausen	**1,348**	-

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.

24. Parent entity information

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

	Parent 2013 $000	Parent 2012 $000
Statement of comprehensive income		
Loss after tax	**(249)**	-
Total comprehensive income	**(249)**	-
Statement of financial position		
Current assets	**9,727**	-
Non-current assets	**7,821**	2,975
Total assets	**17,548**	2,975
Current liabilities	**208**	-
Non-current liabilities	**-**	51
Total liabilities	**208**	51
Net assets	**17,340**	2,925
Contributed equity	**17,556**	2,925
Reserves	**33**	-
Accumulated losses	**(249)**	-
Total equity	**17,340**	2,925

Contingent liabilities
The parent entity had no contingent liabilities at 31 December 2013 and 31 December 2012.

Capital commitments – property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 31 December 2013 and 31 December 2012.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in Note 3, except for investments in subsidiaries which are accounted for at cost, less any impairment.

25. Business combinations

On 6 July 2012 Freelancer International Pty Ltd completed the purchase of 100% of the issued share capital of R3N3 International Inc. (which was immediately renamed Scriptlance Inc.), a corporation incorporated under the laws of Ontario Canada. On 28 August 2012, Scriptlance Inc. was transferred into British Columbia, Canada from the jurisdiction of Ontario, under the Business Corporations Act, with the company name of Freelancer Outsourcing Inc.

	2012 $000
Purchase by Freelancer International Pty Ltd of 100% of the issued share capital of R3N3 International Inc.	808
Details of the net assets acquired are as follows:	
Cash	1,497
Receivables	327
User obligations	(1,747)
Payables	(74)
Fair value of net assets acquired	3
Goodwill on acquisition	805
Total purchase consideration	**808**

On 13 November 2012 Freelancer Technology Pty Ltd completed the purchase of the business and assets of vWorker (formerly RentACoder) from Exhedra Solutions, Inc.

	2012 $000
Purchase by Freelancer Technology Pty Ltd of the business and assets of vWorker	2,256
Details of the net assets acquired are as follows:	
Cash	5,091
Receivables	316
User obligations	(5,407)
Fair value of net assets acquired	-
Goodwill on acquisition	2,256
Total purchase consideration	**2,256**

26. 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 3:

		Percentage Owned (%)	
Name of entity	Country of incorporation	2013	2012
Subsidiaries of Freelancer Limited:			
Freelancer International Pty Ltd	Australia	100	100
Freelancer Technology Pty Ltd	Australia	100	100
Freelancer India Pty Ltd	Australia	100	100
Freelancer Pakistan Pty Ltd	Australia	100	100
Freelancer Bangladesh Pty Ltd	Australia	100	100
Payments Pty Ltd	Australia	100	n/a
Payments Australia Pty Ltd	Australia	100	n/a
Payments IP Pty Ltd	Australia	100	n/a
Freelancer Networks (Canada) Inc	Canada	100	100
Freelancer Outsourcing Inc	Canada	100	100
Freelancer.com Pte Limited	Singapore	100	100
Freelancer Belize Limited	Belize	100	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	n/a
Freelancer Outsourcing UK Limited	United Kingdom	100	n/a
Plendo Sweden AB	Sweden	-	100

On 2 September 2012, the Group commenced a voluntary liquidation of Plendo Sweden AB. The liquidation process of Plendo Sweden AB was completed on 14 February 2013. Plendo Sweden AB was dormant and did not trade during the financial years ended 31 December 2013 and 31 December 2012.

27. Events occurring after the reporting date

There are no other matters or circumstances that have arisen since 31 December 2013 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.

28. Reconciliation of profit after tax to net cash inflow from operating activities

	Consolidated	
	2013	2012
	$000	$000
Profit for the year	**753**	728
Non-cash flows in operating profit:		
Interest income	**(36)**	-
Depreciation and amortisation	**186**	94
Share based payments expense	**33**	-
Net exchange differences	**356**	33
Changes in operating assets and liabilities:		
(Increase) in trade and other receivables	**(697)**	(1,269)
Decrease / (increase) in deferred tax assets	**(360)**	18
(Increase) / decrease in other assets	**(235)**	47
(Decrease) / increase in trade and other payables	**(255)**	1,479
Increase / (decrease) in provision for income tax	**329**	(126)
(Decrease) / increase in deferred tax liabilities	**(39)**	12
Increase in provisions for employee benefits	**153**	112
Increase in other provisions	**56**	-
Net cash inflow from operating activities	**245**	1,127

29. Earnings per share

	Consolidated 2013 Cents	Consolidated 2012 Cents
(a) Basic earnings per share		
From operations attributable to the ordinary equity holders of the Company	**0.19**	4.79*
Total basic earnings per share attributable to the ordinary equity holders of the Company	**0.19**	4.79*
(b) Diluted earnings per share		
From operations attributable to the ordinary equity holders of the Company	**0.19**	4.79*
Total diluted earnings per share attributable to the ordinary equity holders of the Company	**0.19**	4.79*
(c) Reconciliation of earnings used in calculating earnings per share		
Basic earnings per share:		
Profit from continuing operations ($000)	**753**	728
Diluted earnings per share:		
Profit attributable to the ordinary equity holders of the Company ($000)	**753**	728
(d) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used in calculating basic earnings per share	**402,849,315**	15,199,502
Adjustments for calculation of ordinary shares used in calculating basic earnings per share:		
ESP shares	**744,658**	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	**403,593,973**	15,199,502

* The earnings per share (EPS) for 2012 is based on 8,818,001 ordinary shares and 2,552,600 Series A preference shares that were on issue for the full year. On 14 October 2013 the Series A preference shares were converted to ordinary shares and a share split was undertaken, which resulted in the number of ordinary shares on issue totalling 400,000,000. Had EPS for 2012 been calculated using 400,000,000 shares as the denominator then the basic and diluted EPS for 2012 would be 0.19 cents.

(e) Information on the classification of securities

ESP shares

ESP shares granted to employees under 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 have not been included in the determination of basic earnings per share. Details relating to the ESP shares are set out in Note 22.

DIRECTORS' DECLARATION

In the Directors' opinion:

a. the Financial Statements and notes of the consolidated entity set out on pages 24 to 55 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 2013 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 2013.

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

On behalf of the Directors

Matt Barrie

Matt Barrie
Chairman

27 February 2014

INDEPENDENT AUDITOR'S REPORT

HALLCHADWICK

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 Financial Report
We have audited the accompanying financial report of Freelancer Limited, which comprises the consolidated statement of financial position as at 31 December 2013, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report
The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's Responsibility
Our responsibility is to express an opinion on the financial report based on our audit. 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 whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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

HALLCHADWICK

Auditor's Opinion
In our opinion:

a. the financial report of Freelancer Limited 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 2013 and of its performance for the year ended on that date; and
   ii. complying with Australian Accounting Standards and the Corporations Regulations 2001; and
b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report
We have audited the remuneration report included in pages 15 to 17 of the directors' report for the year ended 31 December 2013. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion
In our opinion the remuneration report of Freelancer Limited for the year ended 31 December 2013 complies with s 300A of the Corporations Act 2001.

Hall Chadwick

Hall Chadwick
Level 40, 2 Park Street
Sydney NSW 2000

DREW TOWNSEND
Partner
Dated: 27 February 2014

ADDITIONAL ASX INFORMATION

Use of cash & cash equivalents

In accordance with ASX Listing Rule 4.10.19, the Board has determined that the Company has used the cash & cash equivalents that it had at the time of its admission to the ASX in a way consistent with its business objectives, from the period of its admission to the ASX on 13 November 2013 to 31 December 2013.

Shareholder information

Additional information required by the ASX Listing Rules and not disclosed elsewhere in this report. This additional information was applicable as at 25 February 2014.

Substantial shareholders

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

Substantial shareholder	Number of ordinary shares
Freelancer Limited and its related bodies corporate[1]	386,051,977
Robert Matthew Barrie[2]	386,095,977
Simon Clausen and Startive Holdings Limited and its related bodies[3]	388,051,977

Notes

1. *Freelancer Limited has the power to control the disposal of shares by virtue of the voluntary escrow arrangements entered into with the Directors and the restrictions on the ESP shares until they vest.*
2. *Includes a relevant interest in 185,645,399 fully paid ordinary shares by virtue of the Director having a voting power of over 20% in the Company, which has a relevant interest as a result of voluntary escrow arrangements over certain shares on issue and trading restrictions over shares issued under the ESP.*
3. *Includes a relevant interest in 218,112,238 fully paid ordinary shares by virtue of the Director having a voting power of over 20% in the Company, which has a relevant interest as a result of voluntary escrow arrangements over certain shares on issue and trading restrictions over shares issued under the ESP.*

Top 20 shareholders as at 25 February 2014

Rank	Name	Number of ordinary shares held	% of ordinary shares held
1	Matt Barrie	200,406,578	45.96
2	Startive Holdings Limited	167,939,739	38.52
3	Darren Williams	12,605,660	2.89
4	UBS Nominees Pty Ltd	8,603,889	1.97
5	Bev Rogers Superfund Pty Ltd <Bev Rogers Super Fund A/C>	5,430,302	1.25
6	Nicholas P De Jong	3,499,899	0.80
7	HSBC Custody Nominees (Australia) Limited	2,967,837	0.68
8	Citicorp Nominees Pty Limited	2,427,318	0.56
9	JBS Investment Partners L P	2,200,000	0.50
10	Aust Executor Trustees Ltd <JBS Investments Int Adv Fnd>	1,675,000	0.38
11	Rodney Sellick	1,315,833	0.30
12	RBC Investor Services Australia Nominees Pty Limited <BKCUST A/C>	1,000,000	0.23
13	Merrill Lynch (Australia) Nominees Pty Limited	882,230	0.20
14	Mr Michael John Ruhfus	829,500	0.19
15	Marobar Holdings Pty Limited	789,500	0.18
16	Vikram Sharma	789,500	0.18
17	Frostheath Pty Ltd <The AB 2004 Family A/C>	633,128	0.15
18	Equitas Nominees Pty Limited <3069550 A/C>	525,000	0.12
19	Aust Executor Trustees SA Ltd <Tea Custodians Limited>	472,500	0.11
20	Cicidolin Pty Ltd <Barrie Super Fund A/C>	450,000	0.10
	Total top 20 holders	**415,443,413**	**95.29**
	Total remaining holders	**20,556,587**	**4.71**

Distribution of ordinary shareholders as at 25 February 2014

	Number of shareholders	Number of shares
1 - 1,000	485	302,316
1,001 – 5,000	887	2,576,006
5,001 – 10,000	233	1,902,688
10,001 – 100,000	237	7,915,984
100,001 – 999,999	49	14,230,951
1,000,000 and over	11	409,072,055
Total	**1,902**	**436,000,000**

The number of holders holding parcels of less than $500 was 85 as at 25 February 2014.

Restricted securities

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

There are ordinary shares on issue that are subject to voluntary escrow in favour of the Company or trading restrictions pursuant to the ESP. The table below sets out the number of shares subject to escrow or trading restrictions together with the escrow and trading restriction end dates:

	End date(s)	Number of shares
Director shares subject to escrow[1]	15 November 2014	380,051,977
ESP shares subject to trading restrictions[2]	14 October 2014	225,000
	18,750 ESP shares at the end of each calendar month starting 30 November 2014 until 30 November 2017	675,000
	13 November 2014	1,275,000
	106,250 ESP shares at the end of each calendar month starting 31 December 2014 until 31 December 2017	3,825,000
Total ESP shares		**6,000,000**
Total shares subject to voluntary escrow or trading restrictions		**386,051,977**

Notes

1. *Shares held by Directors before the IPO that were not subject to any mandatory restrictions under the ASX Listing Rules on the completion of the IPO but which were nevertheless made subject to a voluntary escrow. The escrow may end earlier in limited circumstances to permit acceptance of a takeover bid or scheme and can be waived at any time by the Directors.*
2. *ESP shares issued under the 2013 ESP Issue which are subject to escrow as set out in Note 22 to the consolidated financial statements. ESP shares may vest earlier in limited circumstances under the ESP. Refer to Note 22 to the consolidated financial statements above for a summary of the terms of the ESP.*

Voting Rights

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

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

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

On-market Buy Back

There is no current on-market buy back.

CORPORATE DIRECTORY

Company Directors

Mr Robert Matthew Barrie	*Chairman and Chief Executive Officer*
Mr Darren Nicholas John Williams	*Executive Director*
Mr Simon Alvin Clausen	*Non-Executive Director*

Company Secretary
Mr Neil Leonard Katz

Registered Office
Suite 52
Jones Bay Wharf, 26-32 Pirrama Rd
Pyrmont NSW 2009
Telephone: +61 (02) 9692 9980

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)

Natalia Stiro

Freelance Graphic Designer / Illustrator

It has been a pleasure working with the Freelancer team to help design this 2013 Annual Report.

5.0 / **5.0** rating, **366** reviews,

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