

# PROSPECTUS



# FREELANCER LIMITED

ACN 141 959 042

# IMPORTANT NOTICES

## Offer

The Offer contained in this Prospectus is an invitation for you to apply for fully paid ordinary shares in Freelancer Limited (**Freelancer or Company**). This Prospectus is issued by Freelancer.

## Lodgement and listing

This Prospectus is dated 21 October 2013 and was lodged with the ASIC on that date. It is a replacement prospectus which replaces the prospectus dated 14 October 2013 that was lodged with ASIC on that date (**Original Prospectus**). No securities will be issued on the basis of this Prospectus after its expiry date, being the date 13 months after the date of the Original Prospectus.

The key differences between the Original Prospectus and this Prospectus are the inclusion in this Prospectus of further details about the global online marketplace offered by Freelancer (in Section 3.3.6) and about the corporate entities within the Freelancer group and their role in Freelancer's operations (in Section 9.4), the further classification of Freelancer's historical and pro-forma intangible assets between limited life intangible assets and indefinite life intangible assets (in Section 4.5) and the inclusion of an additional investment risk relating to liquidity and realisation given the proportion of Shares that will be subject to escrow or trading restrictions on completion of the Offer (in Sections 1.1 and 5.6.4).

Neither ASIC nor ASX take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates. The fact that ASX may list any of the securities offered under this Prospectus is not to be taken as an indication of the merits of any of those securities, the Company or any aspect of the Offer. The Company has applied to ASX for the listing of the Company and quotation of the Shares on the ASX.

## Offer restrictions

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of Shares, in any jurisdiction outside Australia. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus outside Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

In particular, the Shares to be offered under the Offer have not been, and will not be, registered under the U.S. Securities Act and may not be offered or sold in the United States unless the Shares have been registered under the U.S. Securities Act, or an exemption from the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws is available. The Shares may only be offered and sold outside the United States in "offshore transactions" (as defined in Rule 902(h) of the Regulation S under the U.S. Securities Act) in compliance with Regulation S under the U.S. Securities Act or in the United States to Eligible U.S. Fund Managers in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act.

Without limiting the statements above, the Shares to be offered under the Offer have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this Prospectus and any other document or materials in connection with the offer, or invitation for subscription, of Shares may not be issued, circulated or distributed, nor may these securities be offered, or be made the subject of an invitation for subscription, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the **SFA**), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

See Section 7.9 for more details on restrictions that apply to the offer of Shares in jurisdictions outside of Australia.

## Note to Applicants

The information contained in this Prospectus is not financial product advice and does not take

into account the investment objectives, financial situation or particular needs of any prospective investor.

Before deciding to invest in the Company, you should read the entire Prospectus and in particular consider the assumptions underlying the financial forecasts and the risk factors that could affect the Company's business, financial condition and results of operations. You should carefully consider these risks in light of your personal circumstances (including financial and taxation issues) and seek professional advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest. Some of the risk factors are set out in Section 5. There may be risk factors in addition to these that should be considered.

No person named in this Prospectus, nor any other person, guarantees the performance of the Company, the repayment of capital by the Company or the payment of a return on the Shares.

No person is authorised to give any information or to make any representation concerning the Offer which is not contained in this Prospectus. Any information or representation concerning the Offer which is not contained in this Prospectus should not be relied upon as having been authorised by the Company or its Directors.

## Forward-looking statements

This Prospectus contains forward-looking statements. These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, at the date of this Prospectus, are expected to take place (including the key assumptions set out in Section 4.3). Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the Directors and management. Forward-looking statements should therefore be read in conjunction with, and are qualified by reference to, Sections 4 and 5, and other information in this Prospectus. The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements. The Company has no intention of updating or revising forward-looking statements, or publishing prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

This Prospectus, including the industry overview in Section 2, uses market data, industry forecasts and projections. The Company has obtained significant portions of this information from research prepared by third parties. There is no assurance that any of the forecasts contained in the reports, surveys and research of such third parties that are referred to in this Prospectus will be achieved. The Company has not independently verified this information. Estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed in the risk factors set out in Section 5.

## Statements of past performance

This Prospectus includes information regarding the past performance of the Company. Investors should be aware that past performance should not be relied upon as being indicative of future performance.

## Financial amounts

All financial amounts contained in this Prospectus are expressed in Australian currency, unless otherwise stated. Any discrepancies between totals and sums of components in figures and tables contained in this Prospectus are due to rounding.

## Exposure Period

The Corporations Act prohibits the Company from processing applications to subscribe for Shares under this Prospectus (**Applications**) in the seven day period after the date of lodgement of the Original Prospectus. This period may be extended by ASIC by up to a further seven days. This period is an exposure period to enable the Original Prospectus to be

examined by market participants prior to the raising of funds. Applications received during this exposure period will not be processed until after the expiry of that period. No preference will be conferred on Applications received during the exposure period.

## Electronic Prospectus

The Prospectus is available in electronic form via [www.freelancer.com/investor](http://www.freelancer.com/investor). The Offer constituted by this Prospectus in electronic form is only available to persons receiving this Prospectus in electronic form within Australia. It is not available to persons in other jurisdictions (including in the United States).

Persons having received a copy of this Prospectus in its electronic form may, during the Offer period, obtain a hard copy of the Prospectus by telephoning 1300 737 760 within Australia or +61 2 9290 9600 outside Australia. Applications for Shares may only be made on the Application Form attached to or accompanying this Prospectus in its paper copy form or in its electronic form which may be downloaded in its entirety from [www.freelancer.com/investor](http://www.freelancer.com/investor). The Corporations Act prohibits any person from passing on to another person the Application Form unless it is attached to or accompanies a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

## Glossary

A number of terms and abbreviations used in this Prospectus have defined meanings which appear in the Glossary. All financial amounts shown in this Prospectus are expressed in Australian Dollars unless otherwise stated.

## Photographs and diagrams

Photographs and diagrams used in the Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents or that the assets shown in them are owned by the Company. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale.

## Privacy

If you apply for Shares under this Prospectus, you will be required to provide personal information to the Company and the Share Registry. The Company and the Share Registry will collect, hold and use your personal information in order to assess your Application, service your needs as an investor, provide facilities and services that you request and carry out appropriate administration.

All personal information will be collected in accordance with the National Privacy Principles as set out in the Privacy Act 1988. The law requires that some of the information is required to be collected. If you do not provide the information requested, your Application may not be able to be processed or accepted.

The Company and the Share Registry may disclose your personal information for purposes related to your investment to their agents and service providers, including those listed below, or as otherwise authorised under the Privacy Act 1988:

- the Underwriter;
- the ASX for the purpose of confirming compliance with the Listing Rules;
- the ASIC;
- printers and other companies for the purpose of preparation and distribution of statements and for handling mail.

Under the Privacy Act 1988, you may request access to your personal information held by (or on behalf of) the Company or the Share Registry. You can request access to your personal information by writing to the Company or the Share Registry whose details are in the Corporate Directory section of the Prospectus.

## Company website

Any references to documents included on the Company's website are provided for convenience only, and none of the documents or other information on the website is incorporated by reference.

## Questions

If you have any questions about how or whether to invest in the Company, you should contact your stockbroker, accountant or financial adviser.







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# Key Offer information

## Key Dates

Opening date for Applications	<b>Tuesday, 22 October 2013</b>
Closing date for Applications 5:00 pm (Sydney time)	<b>Thursday, 7 November 2013</b>
Expected date of dispatch of holding statements	<b>Wednesday, 13 November 2013</b>
Expected date of quotation of Shares on the ASX	<b>Friday, 15 November 2013</b>

The dates are indicative only. The Company reserves the right to amend any date without notice.

## Offer Statistics

Number of Shares offered under this Prospectus as part of the General Offer	<b>30,000,000</b>
Number of Shares offered under this Prospectus as part of the Employee Offer	<b>5,100,000</b>
Shares on issue following the Offer	<b>436,000,000<sup>(1)</sup></b>
Offer Price	<b>\$0.50</b>
Market Capitalisation at the Offer Price	<b>\$218 million<sup>(2)</sup></b>

### Notes:

<sup>1</sup> Assuming the Employee Offer is fully subscribed. The Employee Offer Shares and a further 900,000 ESP Shares will be restricted from trading until the satisfaction of various conditions, including vesting conditions. See Sections 6.3.4 and 9.7 for further details regarding the ESP Shares. In addition, note that 380,051,977 Director Shares will be subject to voluntary escrow arrangements until the date 1 year after the date of Official Listing. See Section 9.3.2 for further details of these escrow arrangements.

<sup>2</sup> Market capitalisation at the Offer Price is defined as the Offer Price multiplied by the total number of Shares at completion of the Offer, assuming the Employee Offer is fully subscribed.

# CHAIRMAN'S LETTER

**Dear Investor,**

On behalf of my fellow Directors, it is with great pleasure that I present you with the opportunity to participate in the ownership and future growth of Freelancer Limited (**Freelancer**). Freelancer is the owner and operator of the world's largest online marketplace for outsourcing, freelancing and crowdsourcing services, measured by total number of users and projects, found at [www.freelancer.com](http://www.freelancer.com).

Freelancer's website today has over 9.0 million users, who have posted over 4.9 million projects worth over US\$1.2 billion. The business was founded in 2009, and in that year acquired GetAFreelancer. Over the past four years, Freelancer has acquired and integrated other leading marketplaces for online jobs including Scriptlance, EUFreelance, LimeExchange and RentaCoder/vWorker.

Today, I find it hard to believe that with 7.1 billion people in the world, only 2.7 billion people are on the Internet. Almost 4.5 billion people are yet to connect. We are confident that there is tremendous growth potential ahead for the Company, as the rest of the world's population goes online. Today our analytics reports that our users connect from 247 countries, regions and territories. Some of these users have been active as far back as 2000, through our acquisitions. Many use our site to generate an income and feed their families. Some log in every day to do so. As part of the General Offer, where possible, we extend the opportunity to our users to have some ownership in the Company, so they may also share in our potential success in the future. Accordingly, we have established the Freelancer Foundation Shareholder Program for users who become early Shareholders in the Company.

The Company has established an Employee Share Plan to assist in retaining and attracting current and future employees by providing them with the opportunity to own Shares in the Company.

Under this Prospectus, Freelancer is offering 30 million new Shares to the public at \$0.50 per Share raising \$15 million under the General Offer, and 5.1 million new Shares to selected Eligible Employees under the Employee Offer. Upon Official Quotation, and based on the Offer Price and assuming the Employee Offer is fully subscribed, Freelancer will have a Market Capitalisation of \$218 million. The Directors have agreed to a voluntary 12 month escrow, representing approximately 87% of the issued capital of the Company (excluding any Shares acquired by the Directors under the Offer).

Since incorporation, Freelancer has achieved strong growth in revenue. The Company's revenues grew by 37% and 64% in 2011 and 2012 respectively, and is expected to grow by 73% in 2013. Freelancer has decided to list on the ASX to raise funds to accelerate this growth. For the year ended 31 December 2013, consolidated revenue is forecast at \$18.3 million, with forecast gross margins of 88% and forecast consolidated net profit after tax at \$0.471 million (inclusive of Offer costs). Gross Payment Volume in 2013 is forecast to reach \$80.9 million in 2013. These forecasts are based on a number of assumptions which may or may not take place. Please see Section 4.3 for more details.

Freelancer has always focused on long-term growth at the expense of short-term profit, and it is expected that this will continue for the foreseeable future. Therefore the Company plans to continue reinvesting strategically to achieve growth, which may result in a period of minimal operating profits. We do not expect to pay any dividends in the near future. After successful completion of the Offer, Freelancer will have no net debt and is expected to have sufficient cash balances to achieve its forecasts, to fund current growth plans and achieve its business objectives.

An investment in Freelancer is subject to risks. These include risks associated with: attracting traffic to websites; user generated content; credit card fraud risk; data loss, theft or corruption; Payment Gateway Provider disruption risks; disruption to banking arrangements; risks associated with the regulatory environment; unsolicited offers; reliance on key personnel; the Directors retain a significant stake and liquidity and realisation risk. Detailed information about these and other risks is set out in Section 5 of this Prospectus. The occurrence of any of these risks may adversely impact Freelancer's financial performance, position and prospects and the value of your investment.

I encourage you to read the Prospectus carefully and in its entirety, particularly the section on risks.

On behalf of the Board of Freelancer, I look forward to welcoming you as a Shareholder in the Company.

Yours Sincerely,



**Matt Barrie**  
CEO & Chairman

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# 1.0

## INVESTMENT OVERVIEW





# 1.1

## **INTRODUCTION AND OVERVIEW OF FREELANCER'S BUSINESS**

Question	Answer	More
<b>What is Freelancer?</b>	<p>Freelancer is the world's largest freelancing, outsourced services and crowdsourcing marketplace<sup>1</sup>.</p> <p>Freelancer connects:</p> <ul style="list-style-type: none"> <li>• small business, consumers, startups and entrepreneurs who need things done</li> </ul> <p>with</p> <ul style="list-style-type: none"> <li>• a global workforce of skilled online freelancers who are looking for jobs</li> </ul>	Section 3
<b>What are Freelancer's key statistics?</b>	<p>Founded in 2009.</p> <p>9.0 million users from 247 countries, regions and territories globally.<sup>2</sup></p> <p>4.9 million projects posted to date, representing US\$1.2 billion in posted work.<sup>2</sup></p> <p>82 million visits to its websites in the last 12 months.<sup>3</sup></p> <p>Alexa global website rank by traffic (three month average) 426th as of 7<sup>th</sup> October 2013:</p> <ul style="list-style-type: none"> <li>• Business Services: #1 in world</li> <li>• Business: #30 in world</li> </ul>	Section 3
<b>How does Freelancer generate its revenue?</b>	<p>Freelancer's revenue is primarily generated from users posting projects on the freelancer.com network of websites.</p> <p>The main fee income is generated when projects are awarded by posters and subsequently accepted by users undertaking the projects. These fees vary by the value of the project, and are paid primarily as an introduction fee at the time of acceptance.</p> <p>Freelancer also generates fees from a number of other services including subscription memberships, project upgrades, crowdsourcing contests &amp; upgrades, bid upgrades, advertising and certification fees.</p>	Section 3.3
<b>What sort of jobs are outsourced on Freelancer?</b>	<p>Over 600 job categories are available on the site, including but not limited to; Website Design, Information Technology, Software Development, Mobile Applications &amp; Computing, Writing &amp; Content, Design, Media &amp; Architecture, Data Entry &amp; Admin, Engineering &amp; Science, Product Sourcing &amp; Manufacturing, Sales &amp; Marketing, Business, Accounting, Human Resources &amp; Legal and Translation &amp; Languages.</p>	Section 3.1

<sup>1</sup> By total number of users and projects.

<sup>2</sup> As of 27 September 2013.

<sup>3</sup> Year ended 27 September 2013.

**What are Freelancer's key strengths?**

Section 3.4

**Addresses a Large, Global Problem**

Delivers jobs to developing world economies in technical areas where they are desperately needed, while helping small business in developed economies power their businesses easily and inexpensively.

**Market Leader**

Freelancer is a world leader and globally recognised brand in online freelancing, outsourced services and crowdsourcing marketplaces.

**Scalable Business Model**

Freelancer's business is highly scalable, with relatively low capital expenditure requirements, gross margin of approximately 88%, and an operating platform that can deliver large numbers of additional projects at a low incremental cost.

**Strong Growth Prospects**

Strong growth prospects as almost 4.5 billion people on the planet have not connected to the Internet yet, primarily in developing economies.

**High Quality, Experienced Team**

Freelancer has an experienced management and Board with deep technical and commercial knowledge in consumer Internet businesses. Freelancer has an experienced technical team of engineers and scientists.

**Strong Competitive Position**

There are relatively high barriers to entry in Freelancer's market including marketplace network effects, lock-in, early mover advantage, competitor lock-out and proprietary intellectual property and algorithms.

**Strong Track Record**

Strong track record of execution and growth since inception in 2009 across key metrics, including; revenue, Gross Payment Volume, users, projects, geographic coverage, jobs coverage and website traffic.

**Strong Financial Position**

Assuming that completion of the Offer and related transactions disclosed in this Prospectus had occurred as at 30 June 2013, Freelancer would have had cash balances of approximately \$24 million, net tangible assets of approximately \$11.9 million (inclusive of non-current receivables of \$3 million relating to the ESP Loans) and no net debt.

## What are the key risks for Freelancer?

A list of risks associated with an investment in Freelancer is provided in Section 5. Key risk factors include:

Section 5

### Attracting Traffic to Websites

Section 5.2.1

Freelancer's revenues depend upon attracting sufficient web traffic to its websites. The level of web traffic to these websites directly influences the number of new users, the number of new services offered and other factors that affect the amount of fees able to be levied. Various factors can affect web traffic arriving at the Company's websites including:

- Marketing and Promotions - if our marketing and promotion efforts are not effective this will manifest itself as a lack of web traffic.
- Brand Damage - should the Company suffer from reputational damage, web traffic could be affected.
- Search Engine Traffic - Search engines, such as Google, direct significant traffic to the Freelancer websites. Should these search engines make changes to their algorithms and procedures that direct this traffic, Freelancer could see a substantial drop in new users and interaction with existing users. For example, Google regularly updates the algorithms that determine the ranking of results it returns for any given search term. Freelancer attempts to follow Google's guidelines and online best practice to maintain the flow of traffic to its websites, but such changes could adversely affect its traffic.

A decline in traffic to Freelancer's websites could lead to a decline in Freelancer's ability to attract and retain users, which could in turn lead to a decline in services being provided. This could adversely affect Freelancer's revenues and its ability to continue to grow.

### Risks Associated with User Generated Content

Section 5.2.2

Users of the services may generate content and accordingly Freelancer's marketplace has significant quantities of such content displayed throughout the Company's websites.

Freelancer cannot monitor all user generated content, and does not attempt to do so. Freelancer has reporting mechanisms in place for reporting objectionable material from external parties and from users, which it attempts to promptly deal with as appropriate.

Freelancer, by virtue of its association with user generated content, may be implicated in an objectionable or illegal activity that subsequently exposes it to a law enforcement activity, or a civil dispute, with consequent liabilities and possible disruption to the Company's operations. This could adversely affect Freelancer's revenues and assets.

Additionally, reputational risk associated with offensive, objectionable or illegal activity arising from user generated content may lead to a decline in the Company's ability to attract and retain users. Such a decline could also negatively impact upon Freelancer's revenues.

**Credit Card Fraud Risk**

Section 5.2.3

Freelancer is at risk of fraud from its users. For example, users may deposit funds using a stolen credit card and then try to withdraw those funds. Although the Company has sophisticated anti-fraud strategies, it is not possible to eliminate all such fraud, particularly as perpetrators actively change methodologies to counter such strategies.

Where a stolen credit card has been used, the Company may be liable for chargebacks and chargeback fees imposed by Payment Gateways. Further, if the number of chargebacks in a given period is considered excessively high, credit card companies may levy fines or even exclude Freelancer from participation in their networks.

**Data Loss, Theft or Corruption**

Section 5.3.1

Freelancer provides its services exclusively online through a range of websites. Hacking or exploitation of some unidentified vulnerability in its websites could lead to loss, theft or corruption of data.

This could render the websites unavailable for a period of time while data is restored. It could also lead to unauthorised disclosure of users' data, with associated reputational damage, claims by users and regulatory scrutiny.

Although Freelancer has strategies in place to try to minimise security breaches and to protect data, these strategies might not be successful. In that event, disruption to the websites and unauthorised disclosure of user data could negatively impact upon Freelancer's revenues and profitability.

**Payment Gateway Provider Disruption Risks**

Section 5.4.1

Two of the major ways in which users deposit funds are via credit card or through PayPal accounts. Freelancer does not process credit card payments itself, but uses Payment Gateway Providers which facilitate the acceptance of credit cards on its behalf.

Should its Payment Gateway Providers suffer outages, or if they ceased to offer their services to Freelancer, Freelancer's ability to accept credit card payments (and therefore to provide some services) could be significantly affected. Further, Freelancer's Payment Gateway Providers could be the subject of security breaches that result in the loss, theft or corruption of data, including credit card and other personal information of Freelancer users. This could lead to reputational damage for Freelancer.

Inability to accept payment by credit card, even if for a short period of time, could negatively impact upon Freelancer's revenues and its ability to grow the business.

### **Disruption to Banking Arrangements**

Section 5.4.2

Freelancer maintains accounts with banks and Payment Gateways in multiple currencies and in many jurisdictions throughout the world. Legislative or policy changes or increased regulatory scrutiny affecting those banks could cause the banks to impose requirements upon Freelancer that it cannot meet, or to cause the banks to withdraw their services from Freelancer.

Disruption to Freelancer's banking arrangements, and delays in making alternative arrangements, could have a material adverse impact upon its ability to maintain continuity of service. This could lead to loss of revenue and, if the disruption was prolonged, reputational damage, which could in turn hinder Freelancer's growth.

### **Risks Associated with the Regulatory Environment**

Section 5.5

Freelancer's main operating entities are Australian-based and subject to Australian regulation. For example, Freelancer is required to comply with the Corporations Act 2001 and the Competition and Consumer Act 2010. Users, competitors, members of the general public or regulators could allege breaches of this legislation, for example, if they considered an advertisement to be misleading or deceptive. This could result in remedial action or litigation, which could potentially lead to Freelancer being required to pay compensation or a fine.

Freelancer's operations may become subject to regulatory requirements, such as licensing and reporting obligations, which would increase the costs and resources associated with its regulatory compliance. Any such increase in the costs and resources associated with regulatory compliance could impact upon Freelancer's profitability. In addition, if regulators took the view that Freelancer had failed to comply with regulatory requirements, this could lead to enforcement action resulting in public warnings, infringement notices or the imposition of a pecuniary penalty. This could lead to significant reputational damage to Freelancer and consequent impact upon its revenue.

Freelancer offers its services throughout the world, and has users of those services in most countries and jurisdictions of the world. Regulatory changes could see Freelancer required to hold a licence in some of these jurisdictions, or otherwise comply with local regulations. This could preclude the Company from offering certain services to these jurisdictions until such a licence was obtained, or require the Company to comply with a range of regulatory environments. Any such increase in the costs and resources associated with regulatory compliance in these jurisdictions could impact upon Freelancer's profitability.

### **Unsolicited Offers**

Section 5.6.1

Freelancer operates in the technology industry which has seen significant growth and deal activity over recent years. Consistent with the industry's dynamics, Freelancer has received a number of unsolicited proposals from companies wishing to invest in, or to acquire, Freelancer or its business. These proposals have implied a range of values for Freelancer, both higher and lower than the value implied by the Offer Price. The Board has assessed each of these proposals and has determined that none of them is in the best interests of Freelancer or its Shareholders and accordingly Freelancer is not pursuing any of them. Investors should note that proposals received by Freelancer have been made in the form of confidential, indicative, non-binding expressions of interest that were highly conditional. Accordingly there can be no certainty that any of them would have resulted in a transaction had Freelancer determined to pursue them. Further, the receipt of these proposals in the past does not mean that Freelancer will receive any further proposals in the future.



**Reliance on Key Personnel**

Section 5.6.2

Freelancer operates in a very specific market segment, with significant scale in the size of its website operations, and with a considerable focus on website data analytics, a new and rapidly evolving area of expertise. As a result, key executives and employees have very specific, and often rare, skillsets in areas of great importance to the Company.

Freelancer may not be able to attract and retain these key staff or be able to find effective replacements if needed in a timely manner.

The loss of services of one or more of these people, or a delay in their replacement, may have an adverse effect on the Company's business, operating results and financial condition.

**The Directors Retain a Significant Stake**

Section 5.6.3

Following the completion of the Offer, the current Directors will retain approximately 87%<sup>1</sup> of the issued capital of the Company (excluding any Shares acquired by the Directors under the Offer). The current Directors will be in a position to exert significant influence over matters relating to the Company, including the election of Directors, or the approval of a transaction involving the Company.

Any significant sale of Shares, or the perception of a sale of Shares, by the Directors might have adverse effects on the prices of the Shares.

**Liquidity and Realisation Risk**

Section 5.6.4

There can be no guarantee that an active market in the Shares will develop or that the price of the Shares will increase. With the Directors retaining 87.4%<sup>1</sup> of the Shares after completion of the Offer (excluding any Shares acquired by the Directors under the Offer), these Shares being subject to escrow and trading restrictions, and with a further 1.2%<sup>1</sup> of the Shares after completion of the Offer being Employee Offer Shares that are restricted from trading before they vest, only 11.5%<sup>1</sup> of the Shares will be able to be freely traded at completion of the Offer. With this limited free float, there may be relatively few potential buyers or sellers at any given time and this may increase the volatility of the market price of the Shares.

Further, there is a risk that once the Shares subject to escrow or trading restrictions are released from the restrictions attaching to them, there may be a significant sell-down by the holders of those Shares. In the context of the limited free float and potential volatility mentioned above, this may affect the prevailing market price at which Shareholders are able to sell their Shares. This may result in Shareholders receiving a market price for their Shares that is less than the price that Shareholders paid to acquire their Shares.

**Exchange Rates**

Section 5.6.6 and 4.7

Freelancer operates internationally and in 18 currencies. Accordingly, fluctuations in prevailing exchange rates affect the Company's profitability and financial position. For example, Freelancer pays its website hosting costs in US Dollars. If the Australian Dollar falls relative to the US Dollar, those costs increase in Australian Dollar terms, potentially reducing Freelancer's profitability.

Currently, most of the Company's revenues are in US dollars and most of its costs are in Australian Dollars and Philippines Pesos.

**Notes:**

<sup>1</sup> Based on 436 million Shares outstanding, assuming the Employee Offer is fully subscribed.

## What is Freelancer's mission, vision and strategy?

However, the mix of currencies in which Freelancer pays its costs and earns its revenues is changing over time. As that mix changes, there may be a greater impact on profitability in Australian Dollar terms.

Section 5.6.6 and 4.7

Freelancer's financial statements are prepared and presented in Australian Dollars, and any appreciation in the Australian Dollar against other currencies in which Freelancer transacts may adversely impact its financial performance and position.

Freelancer's mission is to help entrepreneurs globally by connecting entrepreneurs running small businesses in the developed world with entrepreneurs running service providers in the developing world.

Section 3.1

Our ultimate vision is to try to beneficially change 1 billion people's lives on the planet by giving them a (small) job.

To achieve its mission and realise its vision, Freelancer's strategy focuses on:

- aggressively developing Freelancer's services so that our users can work together on any job, in any country, in any language and at any time in the world;
- continued investment in our unique engineering, growth and customer experience teams and cutting edge technology, to make the experience as high quality and seamless as possible;
- strong investment in the Freelancer brand globally to drive awareness, volume and revenue; and
- continued assessment of global strategic acquisition and expansion opportunities.

## How does Freelancer expect to fund its operations?

Freelancer will raise net cash proceeds from the Offer of approximately \$14.2 million.

Section 4.4 and 4.7

Assuming that completion of the Offer and related transactions disclosed in this Prospectus had occurred as at 30 June 2013, Freelancer would have had cash balances of approximately \$24 million, net tangible assets of approximately \$11.9 million (inclusive of non-current receivables of \$3 million relating to the ESP Loans) and expects to have continued access to cash flows from operations.

The Directors believe that, on completion of the Offer, Freelancer will have sufficient working capital to carry out the objectives stated in this Prospectus.

# 1.2

## OVERVIEW OF THE OFFER

Question	Answer	More
<b>Who is the issuer of the Prospectus?</b>	Freelancer Limited (ACN 141 959 042).	Section 3
<b>What is the Offer?</b>	<p>The Offer comprises the General Offer and the Employee Offer.</p> <p>The General Offer is an Initial Public Offering of 30 million Shares that will be issued by Freelancer in conjunction with an application for admission of the Company to the official list of the ASX.</p> <p>This Prospectus invites Applications for Shares from the public under the General Offer at an issue price of \$0.50 per Share. The minimum Application under the General Offer is for 4,000 General Offer Shares (requiring an investment of \$2,000) and then in multiples of 500 General Offer Shares (\$250).</p> <p>The Employee Offer is an offer at an issue price of \$0.50 per Share to selected Eligible Employees of 5.1 million Shares under the ESP. Selected Eligible Employees may only apply for up to as many Employee Offer Shares for which the Board invites them to apply under the Employee Offer. Eligible Employees who accept an invitation will be offered an interest free loan from the Company to finance the whole of the purchase of the ESP Shares for which they are invited to apply for.</p> <p>All Shares issued pursuant to this Prospectus will be fully paid and will rank equally in all respects with the Shares already on issue. The rights and liabilities attaching to Shares are detailed in Section 9.3.3. In addition, Applicants under the Employee Offer will be subject to the terms of the ESP.</p>	Section 7.1, 9.3.3 and 9.7
<b>Why is the Offer being conducted?</b>	<p>The purpose of the Offer is to:</p> <ul style="list-style-type: none"> <li>raise capital to accelerate the growth of Freelancer's business;</li> <li>assist in retaining and attracting the services of current and future Company employees by providing them with the opportunity to own Shares in a listed Freelancer;</li> <li>allow easier access to the equity markets in order to fund future organic growth and acquisition opportunities; and</li> <li>subject to the escrow arrangements pertaining to the Director Shares, provide all Shareholders greater liquidity for their investment in the Company.</li> </ul>	Section 7.3

## What is the Offer size?

Freelancer is offering 30,000,000 new Shares under the General Offer at an Offer Price of \$0.50 per Share to raise \$15,000,000 before costs of the Offer.

Section 7

Freelancer is also offering 5,100,000 new Shares under the Employee Offer at the same Offer Price. No funds will be raised upon completion of the Employee Offer as Eligible Employees will be offered an interest free loan under the ESP to finance the whole of the subscription price for the Shares.

## What is the proposed use of funds raised pursuant to the Offer?

The funds received pursuant to the Offer will be used as follows:

Section 7

- US\$1.25 million will be used to fund the acquisition of certain domain names;
- approximately \$1 million will be used to pay the costs of the Offer; and
- the balance will be used to fund working capital requirements for the existing business and current organic growth opportunities.

## What are the key investment metrics?

Market Capitalisation at Offer Price <sup>1</sup>	\$218 million
Forecast profit after tax (year ended 31 December 2013) <sup>2</sup>	\$0.471 million
Forecast earnings per Share (year ended 31 December 2013) <sup>2,3</sup>	0.11 cents
Forecast price earnings multiple (year ended 31 December 2013) <sup>2,3</sup>	463 times
Forecast dividend per Share (year ended 31 December 2013)	Nil
Pro-forma net tangible assets per Share <sup>4</sup>	2.7 cents
Pro-forma net debt	Nil

Section 4

### Notes:

<sup>1</sup> Calculated by multiplying the Offer Price by the number of Shares on issue on completion of the Offer, assuming the Employee Offer is fully subscribed.

<sup>2</sup> Freelancer has made a number of important assumptions in forecasting the earnings of the Company for the year ended 31 December 2013. Investors are referred to Section 4.3 for a description of these assumptions and related qualifications.

<sup>3</sup> Earnings refers to earnings after tax. Earnings per Share is calculated assuming that the Company issues no more Shares following completion of the Offer and related transactions disclosed in this Prospectus.

<sup>4</sup> Based on the Pro-forma Consolidated Statement of Financial Position (refer Section 4.5 for details).

## What is Freelancer's historical and forecast financial performance?

A summary of Freelancer's pro-forma historical consolidated financial results for the years ended 31 December 2010 and 2011, historical consolidated financial results for the year ended 31 December 2012 and the half year ended 30 June 2013 and its consolidated forecast financial results for the year ended 31 December 2013 is shown below.

Section 4

### Freelancer Summary Historical and Forecast Statement of Comprehensive Income

A\$'000 (thousand)	Pro-forma Actual FY2010 <sup>1</sup>	Pro-forma Actual FY2011 <sup>1</sup>	Statutory Actual FY2012 <sup>1</sup>	Statutory Actual HY2013 <sup>1</sup>	Statutory Forecast FY2013 <sup>2,3,4</sup>
Net Revenue	4,702	6,460	10,627	8,453	18,338
Cost of Revenues	(817)	(859)	(1,342)	(971)	(2,267)
Gross Profit	3,885	5,601	9,285	7,482	16,071
EBITDA	879	(569)	770	611	736
Profit Before Tax	709	(631)	676	538	554
Profit After Tax	555	(476)	728	477	471

A summary of Freelancer's Pro-forma Consolidated Statement of Financial Position is set out below, incorporating the statement of financial position as at 30 June 2013 adjusted for the Offer and related transactions disclosed in this Prospectus. The assumptions underlying the summary Pro-forma Consolidated Statement of Financial Position and a detailed Pro-forma Consolidated Statement of Financial Position are set out in Section 4.5.

### Freelancer Summary Pro-forma Consolidated Statement of Financial Position<sup>2,3</sup>

A\$'000  
(thousand)

Current Assets	26,489
Non-Current Assets	13,027
<b>Total Assets</b>	<b>39,516</b>
Current Liabilities	18,785
Non-Current Liabilities	-
<b>Total Liabilities</b>	<b>18,785</b>
<b>Shareholders Equity/Net Assets</b>	<b>20,731</b>

#### Notes:

<sup>1</sup> Further details of the historical financial results of Freelancer are set out in Section 4. The historical financial results have been reviewed by the Investigating Accountant whose report is included in Section 8.

<sup>2</sup> Further details of the forecasts are set out in Section 4 together with the underlying assumptions and qualifications. The forecasts have been reviewed by the Investigating Accountant whose report is included in Section 8.

<sup>3</sup> The Directors do not represent or give any assurance that any of the forecasts will be achieved, as the realisation of forecasts can be affected by numerous factors, many of which are outside the Directors' control.

<sup>4</sup> The Directors forecast for FY2013 includes the financial effect of transaction costs associated with the Offer. It is estimated that the one off non capitalised transactions costs associated with the Offer will be \$348,000.

**Will the Shares be listed?**

Freelancer has applied to the ASX for the Company's admission to the official list of the ASX and quotation of the Offer Shares on the ASX (which is expected to be under the code FLN).

**Section 7.6**

Completion of the Offer is conditional on the ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.

Shares allocated under the ESP will be subject to a holding lock and will not be able to be traded until satisfaction of all conditions to vesting and repayment of the applicable ESP Loan.

**Is the Offer underwritten?**

The General Offer is fully underwritten by KTM Capital.

**Section 7.8 and 9.8.1**

The Employee Offer is not underwritten.

**What is the allocation policy?**

Freelancer has absolute discretion regarding the allocation of General Offer Shares and may reject an Application, or allocate fewer General Offer Shares than applied for, in its absolute discretion.

**Section 7.5**

Applications under the Employee Offer may only be made in response to invitations to participate in the Employee Offer made by the Board.

1

**Is there any brokerage, commission or stamp duty payable by Applicants?**

No brokerage, commission or stamp duty is payable by Applicants on an acquisition of Shares under the Offer.

**What are the tax implications of investing in the Shares?**

The tax consequences of any investment in the Shares will depend upon an investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to invest.

**Section 9.11**

**When will I receive confirmation that my Application has been successful?**

It is expected that initial holding statements will be dispatched by standard post on or around 13 November 2013.

**When will dividends on the Shares be paid?**

The Company does not expect to pay any dividends until such time as the Directors are of the opinion that the financial position of the Company warrants it. The Directors cannot and do not give any assurances as to the extent, timing, level of franking or payment of any dividends in future periods.

**Section 4.8**



<b>How can I apply?</b>	You may apply for General Offer Shares by completing a valid General Application Form attached to or accompanying this Prospectus.  Eligible Employees invited to participate in the Employee Offer may apply for Employee Offer Shares by completing the notice of acceptance and the Employee Application Form.	<b>Section 7.4</b>
<b>Can the Offer be withdrawn?</b>	Freelancer reserves the right not to proceed with the Offer at any time before the issue of Shares to successful Applicants. If the Offer does not proceed, Application Monies will be refunded. No interest will be paid on any Application Monies refunded as a result of the withdrawal of the Offer.	<b>Section 7.10</b>

## Matters Relating Solely to the Employee Offer

<b>Can I apply for Employee Offer Shares?</b>	Only Eligible Employees that have received an invitation to apply for Employee Offer Shares are able to do so. The Employee Offer is not open to anyone else.	<b>Section 7.1</b>
<b>How many Employee Offer Shares can I apply for?</b>	If you have received an invitation, you may apply for the number of Employee Offer Shares for which you have been invited to apply as set out in that invitation, or any lesser amount.	<b>Section 7.4.2</b>
<b>Are Employee Offer Shares the same as General Offer Shares?</b>	Whilst Employee Offer Shares, like General Offer Shares, will be fully paid ordinary shares in the capital of Freelancer, participants in the Employee Offer will, by applying for and being issued Shares under the Employee Offer, also become participants in, and bound by the terms of, the Employee Share Plan of Freelancer. These include the terms of the ESP Loan and the restrictions and conditions applying to Employee Offer Shares as described below.	<b>Section 9.3.3 and 9.7</b>
<b>How much is payable for the Employee Offer Shares?</b>	Employee Offer Shares will be issued at \$0.50 each, being the same issue price as for General Offer Shares. However, Freelancer will advance the total issue price for Employee Offer Shares to applicants under the Employee Offer in accordance with the terms of the ESP.	<b>Section 7.1 and 9.7</b>

## What are the terms of the ESP Loan?

This advance, being the ESP Loan, will be a non-recourse, interest free loan made by Freelancer to an ESP Participant to meet the issue price of Employee Offer Shares.

Section 9.7

ESP Participants may make voluntary repayments of the ESP Loan at any time.

ESP Participants must pay any dividends paid by Freelancer on Employee Offer Shares towards repayment of the ESP Loan.

To the extent it is not repaid earlier by such repayments, the ESP Loan will become repayable 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 Eligible Employee does not repay the outstanding ESP Loan by that date, or they notify the Company that they cannot, then Freelancer will buy-back and cancel such number of Employee Offer Shares that equal by value (calculated using the Offer Price (subject to any adjustments for corporate reconstructions)) the outstanding amount of the ESP Loan. The buy-back of these Employee Offer Shares will be considered full and final satisfaction of the ESP Loan and Freelancer will not have any further recourse against the Eligible Employee in respect of that ESP Loan.

## What restrictions apply to the Employee Offer Shares?

Employee Offer Shares will be subject to a 4 year vesting period, with:

Section 9.7

- 25% vesting on the date that is the first anniversary of the issue date of the Employee Offer Shares; and
- 1/36th of the remaining number of Employee Offer Shares vesting on the last day of each calendar month commencing in the following calendar month.

Employee Offer Shares which have not vested and/or are subject to repayment of the ESP Loan will be restricted (escrowed) from trading.

## Are there any key performance indicators that determine vesting of the Employee Offer Shares?

No. The vesting of the Employee Offer Shares will be determined solely by the passage of time.

### Can my Employee Offer Shares be cancelled?

Freelancer may buy-back and cancel any Employee Offer Shares that have not vested at any time at its discretion. If Freelancer exercises this right, the ESP Loan relating to those Employee Offer Shares will be deemed to be repaid.

Section 9.7

If your Employee Offer Shares have vested, Freelancer may only buy-back and cancel those Employee Offer Shares if you fail to repay the ESP Loan relating to those Employee Offer Shares when it is due to be repaid, as set out above.

If your Employee Offer Shares have vested and you have repaid the ESP Loan relating to those Employee Offer Shares, those Shares cease to be subject to the ESP and may not be bought back or cancelled by the Company.

### What happens if I cease to be an Eligible Employee?

If you cease to be an Eligible Employee, your ESP Loan will become repayable on either:

Section 9.7

- the date 30 days after you cease to be an Eligible Employee, if you are a good leaver (as defined in the ESP); or
- that you cease to be an Eligible Employee, if you are a bad leaver (as defined in the ESP).

If you do not repay the outstanding ESP Loan by that date, or you notify Freelancer that they cannot, then Freelancer will buy-back and cancel such number of your Employee Offer Shares that equal by value (calculated using the Offer Price (subject to adjustment for any corporate reconstructions)) the outstanding amount of your ESP Loan in full and final satisfaction of your ESP Loan.

### What happens if I have repaid the ESP Loan in respect of Employee Offer Shares that are subsequently bought-back and cancelled by Freelancer?

Freelancer will repay to you any repayments you make of the ESP Loan in respect of Employee Offer Shares that are subsequently bought-back and cancelled by Freelancer, without interest.

### Where can I get a copy of the ESP?

Freelancer has lodged a full copy of the ESP with ASIC. Under section 712 of the Corporations Act, the full terms of the ESP are incorporated by reference into this Prospectus.

Section 9.7

The full terms of the ESP are available online at:

[www.freelancer.com/investor](http://www.freelancer.com/investor)

In addition, Freelancer must give, and will give, a copy of the full terms of the ESP free of charge to anyone who asks for it during the Offer Period. Please contact Freelancer via the contact details in the Corporate Directory at the end of this Prospectus if you would like to obtain the full terms of the ESP.

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**Can the terms of the ESP be changed?**

The ESP can only be varied by resolution of Shareholders.

Section 9.7

**Can Eligible Employees apply for Shares under the General Offer?**

Eligible Employees may apply for Shares under the General Offer. Shares issued under the General Offer will not be subject to the ESP, including by not being eligible to receive an ESP Loan and not being subject to the restrictions and conditions applying to Employee Offer Shares as described above.

**Who should Eligible Employees contact with their questions?**

Eligible Employees with questions in relation to the Employee Offer should contact Isla Hale, at the Sydney head office.

# 1.3

## **KEY INFORMATION ON THE EXPERIENCE, BACKGROUND OF THE DIRECTORS AND MANAGEMENT AND SIGNIFICANT INTERESTS OF KEY PEOPLE**

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**Question****Answer****More**

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**Who is in control of Freelancer and what is their expertise?**

## **Directors**

Section 6.1

### **Matt Barrie**

(Chairman and Chief Executive Officer)

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- Matt Barrie is well known in technology, having won numerous awards including being named the inaugural BRW Entrepreneur of the Year in 2011.
- Matt is a serial entrepreneur, previously as founder and CEO of Sensory Networks Inc., a vendor of high performance network security processors, which Intel Corporation (NASDAQ: INTC) announced in 2013 it was acquiring.
- He is an Adjunct Associate Professor at the Department of Electrical and Information Engineering at the University of Sydney, where for the last 12 years has been an external lecturer teaching Cryptography, and starting in 2010, Technology Venture Creation. He is the co-author of over 20 US patent applications.
- In 2006, he was awarded the State Pearcey Award for contribution to the IT&T industry. In 2010, he was named Alumnus of the Year for the Faculty of Engineering and IT at the University of Sydney. In 2011, SmartCompany named him in the 11 most influential Australians in IT. In 2011, he was named inaugural BRW Entrepreneur of the Year. He was also the winner of the technology category in the National Ernst & Young Entrepreneur of the Year awards for 2011. In 2012, he was named in the top 100 most influential engineers by Engineers Australia, and a 2012 Man of Influence by Men's Style Magazine.
- In 2013, he was named in the top 10 Australian entrepreneurs to watch in 2013 by SmartCompany, the Blackberry Young Technology Entrepreneur of the Year by News Limited, a Silver Stevie in the International Business Awards for Executive of the Year in Internet/ New Media, and again in the top 100 most influential engineers by Engineers Australia.
- Matt has first class honours degrees in Electrical Engineering and Computer Science from the University of Sydney, a Masters in Applied Finance from Macquarie University, and a Masters in Electrical Engineering from Stanford, California. He is a graduate of the Stanford Executive Program at the Graduate School of Business. He is a Fellow of the Institute of Engineers Australia and Councillor of the Electrical and Information Engineering Foundation at the University of Sydney.



## **Simon Clausen** (Non-Executive Director)

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Section 6.1

- Simon is a founding investor in Freelancer.
- He has more than 17 years experience in working with technology businesses in both Australia and the United States.
- His technical expertise includes proficiency in multiple software development languages, computer security and vulnerability analysis, and he is co-author and inventor of a number of technology patents.
- Focusing on consumer-centric software and Internet-enabled technology he founded, and was CEO of WinGuides, which later became PC Tools. With Simon as CEO PC Tools grew to over \$100 million dollars in revenue, more than 250 employees and offices in 7 countries. PC Tools was acquired by Symantec Corporation (NASDAQ:SYMC) in October 2008 in one of Australia's largest technology acquisitions.
- Following the acquisition Simon became a Vice President at Symantec, before leaving in 2009 and founding Startive Ventures, a specialised technology venture fund. Today Startive actively maintains investments in a number of successful global start-ups and Simon acts as a Director and adviser to companies around the world.

## **Darren Williams** (Chief Technology Officer)

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- Darren is Executive Director and Chief Technology Officer of Freelancer. In these roles, he is responsible for strategic leadership of the Company's operating and technical direction.
- Darren has experience in computer security, protocols, networking and software. Prior to joining Freelancer, Darren was a co-founder of Sensory Networks, a venture-backed network security hardware company, where he held the roles of Chief Technology Officer and subsequently Chief Executive Officer. Darren previously lectured in Computer Science at the University of Sydney in a variety of areas to postgraduates and undergraduates.
- Darren has authored numerous articles, patents and papers relating to security technology, software and networking, and has spoken at a number of international conferences. Darren holds a first class honours degree in Computer Science and a Ph.D. in Computer Science specialising in computer networking from the University of Sydney.

## Key Management

Section 6.1  
and 6.2

### **Matt Barrie**

(Chairman and Chief Executive Officer)

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Refer above

### **Darren Williams**

(Chief Technology Officer)

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Refer above

### **Neil Katz**

(Chief Financial Officer)

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- Neil Katz is responsible for the finance and administration functions of the Company. Since joining Freelancer in May 2009, Neil has been an integral part of the management team and has been involved in establishing the financial disciplines and internal controls of the Group.
- Neil has over 20 years experience in finance, accounting and general management. Neil has held CFO roles at a number of technology companies, including IPscape, Threatmetrix, Sensory Networks and Aprix. Neil has experience and been involved in numerous private equity and venture capital raisings, obtaining multiple government grants, corporate restructuring and trade sale activities. In particular, Neil played a role in the sale of Aprix to IBM. In these previous roles, Neil has provided financial guidance to assist in the growth and international expansion of these businesses. Neil has also provided consulting services to a number of smaller technology start-up companies in areas of commercialisation strategies and capital raising.
- Prior to roles in the technology sector, Neil held senior finance positions in distribution and retail, including Checkpoint Systems.
- Neil holds a Bachelor of Commerce (Honours) degree in Financial Management obtained from the University of Cape Town, South Africa, and is a member of the Institute of Chartered Accountants in Australia.

**Who are the Shareholders and what will their interest be at completion of the Offer?**

## Section 9.3

Shareholder	Shares	Percentage post Offer <sup>1</sup>
Matt Barrie <sup>2</sup>	200,406,578 (inclusive of 400,000 ESP Shares)	46.0%
Startive Holdings Limited <sup>2</sup> (a company associated with Simon Clausen)	167,939,739	38.5%
Darren Williams <sup>2</sup>	12,605,660 (inclusive of 500,000 ESP Shares)	2.9%
Other Existing Shareholders <sup>2,3</sup>	19,948,023	4.6%
Applicants under the Employee Offer	5,100,000	1.2%
Applicants under the General Offer	30,000,000	6.9%

All of the existing Shares held by the Directors and their Associates as at the date of this Prospectus (excluding any ESP Shares) will be subject to voluntary escrow arrangements for a period of 1 year following listing. These escrow arrangements are discussed further in Section 9.3.2. Subject to certain exceptions, the Directors may not dispose of their existing Shares whilst those existing Shares are subject to escrow arrangements.

Note that the Directors may apply for Shares under the General Offer and if they do apply for, and are issued Shares under the General Offer, the figures in the table above will vary accordingly.

As at the date of this Prospectus, 900,000 ESP Shares have been issued under the ESP to Matt Barrie and Darren Williams. The Directors' ESP Shares will not be subject to voluntary escrow arrangements however all ESP Shares will be restricted from trading until the satisfaction of various conditions, including vesting conditions. Details of the ESP are set out in Sections 6.3.4 and 9.7.

<sup>1</sup> Based on 436 million Shares outstanding, assuming the Employee Offer is fully subscribed.

<sup>2</sup> Excluding Shares which may be issued under the General Offer.

<sup>3</sup> Excluding Shares which may be issued under the Employee Offer.

**What significant benefits are payable to Directors and other persons connected with the Issuer or the Offer and what significant interests do they hold?**

Director	Remuneration (per annum)	Shares <sup>1</sup>
Simon Clausen	\$25,000	167,939,739
Matt Barrie	\$300,000 (until 31 December 2013) \$395,000 (from 1 January 2014) Performance bonus of up to \$197,500 (from 1 January 2014) <sup>2</sup>	200,406,578 <sup>3</sup> (inclusive of 400,000 ESP Shares)
Darren Williams	\$200,000 (until 31 December 2013) \$300,000 (from 1 January 2014) Performance bonus of up to \$150,000 (from 1 January 2014) <sup>2</sup>	12,605,660 <sup>3</sup> (inclusive of 500,000 ESP Shares)

Further details of the Executive Services Agreements regarding the services provided to Freelancer by each of Matt Barrie and Darren Williams are set out in Section 6.3.3.

As at the date of this Prospectus, 900,000 ESP Shares have been issued under the ESP to executive Directors, Matt Barrie and Darren Williams. Details of the ESP are set out in Sections 6.3.4 and 9.7.

A subsidiary of Freelancer is party to an agreement with Startive Ventures Inc, a company associated with Simon Clausen, under which Startive has granted the subsidiary an exclusive licence to use various domain names for a fee of US\$20,000 for an initial term of one year (from 20 June 2013 to 20 June 2014). Freelancer has the right to purchase the licensed domain names at any time until termination of the Agreement for US\$1,250,000 (using cash, equity, or a combination of both, as agreed between the parties). Freelancer intends to exercise this option. Further details of this agreement are set out in Section 9.8.7.

Advisers and other service providers are entitled to fees for services. Further details of these are set out in Section 6.3.1 and Section 9.8.1.

<sup>1</sup> Inclusive of ESP Shares.

<sup>2</sup> Based upon performance criteria to be agreed by the Board or the Nomination and Remuneration Committee.

<sup>3</sup> Excluding Shares which may be issued under the General Offer.

# 2.0

## INDUSTRY OVERVIEW



## Russell John

Professional Linux system administrator and highly experienced webmaster

**"A total freedom for me, with flexible and convenient work hours doing what I love to do."**

"My freelancing career means a total freedom for me, with flexible and convenient work hours doing what I love to do. I can chose to work on projects that interest me, with clients whom I'm comfortable, and therefore never being bossed by anyone. No suits and ties, no commuting, no office politics, just the love for what I do and getting paid handsomely for it. My freelance career means unbridled freedom, and I love being a freelancer!"



5.0/5.0 rating, 165 reviews

Member since 2008

📍 Dhaka, Bangladesh



Freelancer operates within the online outsourcing industry, primarily generating revenue through its websites from users posting outsourcing projects and crowdsourcing contests. There are a number of key drivers of this industry, which are grouped into “The World is Flattening” (globalisation and the Internet are lowering barriers for people to work together online), “Software is Eating the World” (software is taking over large swathes of the economy) and “Structural Change in Developed Economies” (the workforce in developed countries is increasingly becoming more casual and flexible, and faces skills shortages).

## 2.1

### **KEY DRIVERS THE WORLD IS FLATTENING**



# 60%

## OF THE WORLD'S POPULATION ARE YET TO USE THE INTERNET

According to the US Census Bureau, in 2013, the world's population reached 7.1 billion people<sup>1</sup>, only 2.7 billion (40%) of which are online according to the International Telecommunications Bureau<sup>2</sup>. The other 4.5 billion people, representing some 60% of the world's population, are yet to connect to the Internet<sup>2</sup>.

In the developing world, 31% of the population is online, compared with 77% in the developed world<sup>2</sup>. Only 32% of Asia's 4.3 billion<sup>3</sup> people, 16% of Africa's 1.1 billion<sup>3</sup> people and 43% of Latin America's 602 million people are online<sup>3</sup>.

#### Notes:

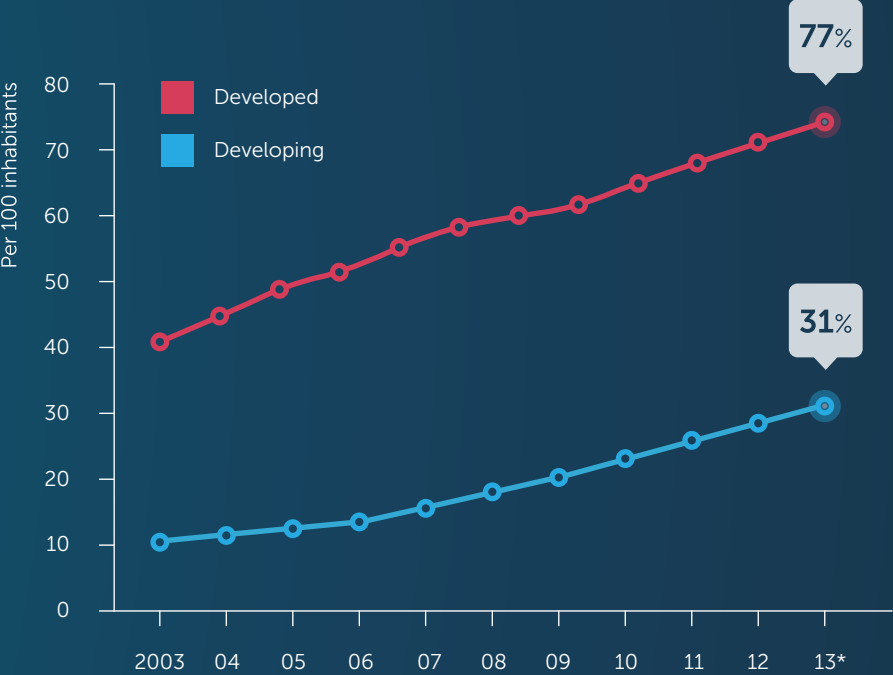
<sup>1</sup> United States Census Bureau, U.S. and World Population Clock, 10 August 2013.

<sup>2</sup> International Telecommunications Union, ICT Facts and Figures 2013, February 2013.

<sup>3</sup> United States Census Bureau, 10 August 2013.

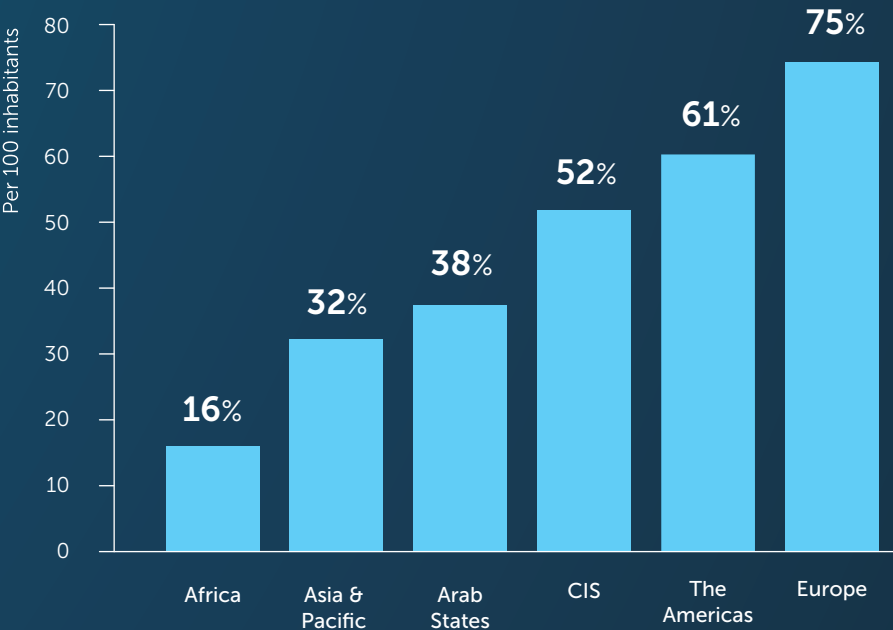


## Internet Users by Development Level 2003-2013 \*



Source: ITU World Telecommunication ITC Indicators database  
 Note: \* 2013 is an estimate

## Internet Users by Region 2013\*



Source: ITU World Telecommunication ITC Indicators database  
 Note: \* 2013 is an estimate

## Internet Penetration leading to an Inflection Point

The Internet is at an inflection point. The Company believes that, over time, Internet penetration in the developing world (31%) is likely to catch up with the almost ubiquitous cellular and mobile penetration found in these regions (89%)<sup>1</sup>.

From 2000 to 2012, Internet penetration grew 3,607% in Africa, 842% in Asia and 1,311% in Latin America<sup>1</sup>. Already, there are twice as many Chinese Internet users (564 million)<sup>2</sup> than those from the United State of America (244 million).

### Growth in Internet Users by Country 2008-2012, Driven by Emerging Markets

Country	2008-2012 New Internet Users (millions)	2012 Internet Users (millions)	2008-2012 CAGR (%)	Population Penetration (%)
China	264	564	17%	42%
India	88	137	29%	11%
Indonesia	39	55	36%	22%
Iran	35	42	57%	53%
Russia	31	68	17%	48%
Nigeria	31	48	30%	28%
Philippines	28	34	54%	32%
Brazil	27	88	10%	46%
Mexico	19	42	16%	37%
<b>USA</b>	<b>19</b>	<b>245</b>	<b>2%</b>	<b>78%</b>
Argentina	17	28	26%	66%
Egypt	17	30	23%	36%
Colombia	16	27	23%	60%
Turkey	14	36	12%	46%
Vietnam	12	31	13%	34%

#### Notes:

<sup>1</sup> International Telecommunications Union, ICT Facts and Figures 2013, February 2013.

<sup>2</sup> CNNIC, 31 December 2012.

## Large Disparity in Global Incomes

According to a report published by the World Bank in 2008, 80% of the world's population lived on US\$10 a day or less<sup>1</sup>, and 95% of the developing world lived on US\$10 a day or less<sup>2</sup>. Approximately half of the world's population, equating to over three billion people, lived on less than \$2.50 a day.

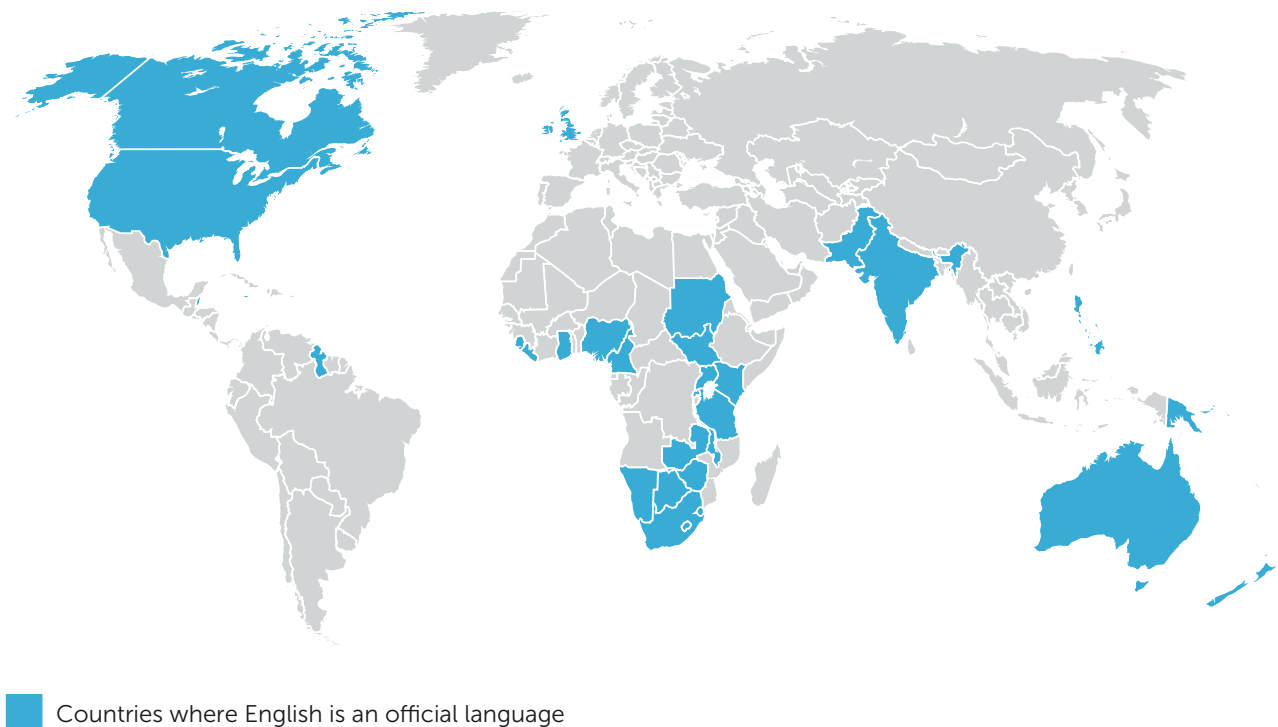
India's per capita nominal income is US\$3.54 per day (2012-3)<sup>3</sup> and Bangladesh's per capita gross national income is US\$2.53 per day (2012-3)<sup>4</sup>.

By comparison, the average wage in the United States is US\$119 per day (2011)<sup>5</sup>.

This represents a 33:1 relative income disparity with India and 47:1 with Bangladesh, before adjusting for purchasing power parity.

## English is an Official Language in Populous Countries in the Developing World

Although not the world's most spoken language, in 2012, English was an official language in 88 nation states (60 sovereign states and 28 non-sovereign states)<sup>6</sup>. This includes India, whose 1.22 billion people makes it the second most populous country in the world, Pakistan (193 million, 7th), Nigeria (175 million, 8th) and the Philippines (106 million, 13th), where English is an official language. It is a second language of Bangladesh (164 million, 9th), where laws were written in English and were not translated into Bengali until 1987.



### Notes:

<sup>1</sup> Shaohua Chen and Martin Ravallion, The developing world is poorer than we thought, but no less successful in the fight against poverty, World Bank, 26 August 2008.

<sup>2</sup> Martin Ravallion, Shaohua Chen and Prem Sangraula, Dollar a day revisited, World Bank, May 2008.

<sup>3</sup> Government of India Central Statistics Office (CSO) on Advance Estimate of National Income (at exchange rate of 0.0187878607 of 7 Feb 2013).

<sup>4</sup> Bangladesh Bureau of Statistics May 2013.

<sup>5</sup> US Census, Income, Poverty, and Health Insurance.

<sup>6</sup> The British Council, Map of Countries where English is an Official Language, August 2013.

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## On the Internet, Anyone can Self-skill, and an Education Revolution is Coming

The wealth of human knowledge is increasingly available online with the rapid growth of the Internet. Today, a search in YouTube for “design a corporate logo” yields many video tutorials to self-educate from.

Traditional educational institutions are increasingly offering online education channels, able to be accessed by the masses. Established universities and global institutions such as Stanford, Harvard and MIT offer select courses free online. MIT OpenCourseware, for example, as of September 2013, has offered 2,150 courses to over 125 million visitors, covering areas including Engineering, Mathematics and Science, for free<sup>1</sup>. For example, anyone with access to a computer and the Internet, from anywhere in the world, can download the entire 26 lecture course material for 6.974 Fundamentals of Photonics: Quantum Electronics, for free.

In the last few years, the entire delivery of some courses has shifted online thanks to nascent online institutions such as Udacity, Coursera and Khan Academy.

Some of these institutions go as far as to mix locally enrolled in-class students with online students in exactly the same curriculum. An early example of this was the Introduction to Artificial Intelligence course offered by Sebastian Thrun at Stanford University in 2011. Normally enrolling around 200 in-class Stanford undergraduates, Thrun opened up the course to anyone online, for free, promising to (machine) mark all submitted assignments and exams. The class had over 160,000 students enrolled<sup>2</sup> from 190 countries. Two thirds of the class were located outside the United States, and more than 100 volunteers signed up to translate lectures into 44 languages. As a result, Thrun founded Udacity, an online education platform. More than 130,000 students signed up for Udacity’s first two courses in 2012.

Coursera, a similar online institution, as of September 2013, has 4.6 million students enrolled across 422 courses prepared by 84 global partners.

India is the top country for enrolments outside the United States on Udacity (7%), and the second top after Brazil on Coursera (5%).

2

# 2.2 KEY DRIVERS SOFTWARE IS EATING THE WORLD

In a Wall Street Journal essay published in 2011, Marc Andreessen, co-founder & partner of venture capital firm Andreessen-Horowitz, professed that “software is eating the world”<sup>3</sup>.

His thesis states “that we are in the middle of a dramatic and broad technological and economic shift in which software companies are poised to take over large swathes of the economy.” The implication of this has had resounding effects globally on the technology, business and investment communities.

### Notes:

<sup>1</sup> Massachusetts Institute of Technology OpenCourseware Homepage 21st August.

<sup>2</sup> The Wall Street Journal - Start-Up Expands Free Course Offerings Online, 12 April 2012.

<sup>3</sup> Marc Andreessen, Wall Street Journal, Why Software is Eating the World, 20 August 2011.

## Traditional Businesses are Evolving into Online/Software Companies

A number of traditional industries are now dominated by software companies.

Industry	Software Company	Market Capitalisation <sup>1</sup>
Advertising	Google	A\$317 billion
Retail (books, shoes)	Amazon	A\$145 billion
Second hand goods	eBay	A\$75 billion
Travel Agencies	Priceline	A\$52.0 billion
Real Estate (Australia)	Realestate.com.au	A\$5.1 billion

### Online Marketplaces are a Powerful Business Model due to Network Effects

The network effect is the value that one user has on a service to other users. Marketplaces can grow to be powerful businesses where the network effects are strong. In an online marketplace, where anyone can be a buyer from any seller and anyone can be a seller to any buyer, the value of each incremental user is analogous to Metcalfe's Law.

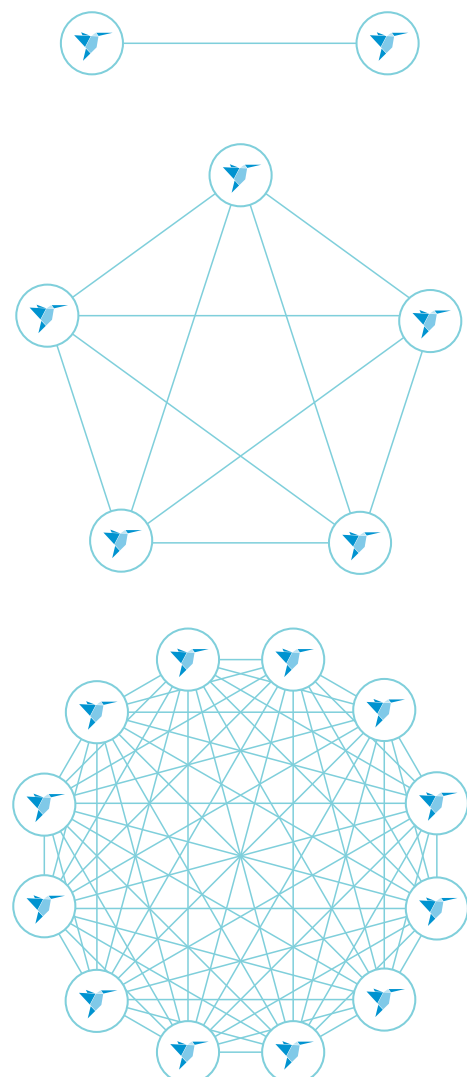
Metcalfe's law states that the value of a telecommunications network is proportional to the square of the number of connected users of the system ( $n^2$ ). More precisely, this can be expressed mathematically as  $n(n - 1)/2$ .

*As an example, the first purchaser of a telephone had no-one to call, and so there was no value. The second purchaser allowed a single connection to be formed, and so has value 1 (see diagram, right). The fifth purchaser of a telephone can call any of the other four users, and so had value  $5(5-1)/2 = 10$ ; there are 10 possible ways in which any two owners of the 5 telephones can communicate. With 12 telephones, the value of the network is  $12(12-1)/2 = 66$*

Due to strong network effects, online marketplaces tend towards 'winner-takes-all'. It is difficult for a late mover in the space to create network value when an established market has already been created. This creates the competitive environment of lock-out for new entrants and lock-in for existing users. Put simply, the buyers want to go where there are the most sellers, and the sellers want to go where there are the most buyers.

#### Notes:

<sup>1</sup> As of 17 September 2013.



## Examples of online marketplaces

Marketplace	Description	Year started
<b>Amazon</b>	One of the world's largest online retailers, selling books, DVDs, CDs, video and MP3 downloads/streaming, software, video games, electronics, apparel, furniture, food, toys, and jewelry.	1994
<b>eBay</b>	The eBay Marketplace creates an online platform for the sale of goods by an online community of individuals and small businesses. On any given day, there are millions of items available through auction-style and fixed-price trading.	1995
<b>Getty Images</b>	Getty Images is a marketplace where members are able to find millions of royalty free images, stock photos, illustrations, stock music tracks and video footage.	1997
<b>Alibaba</b>	Business-to-business online marketplaces, retail and payment platforms, shopping search engine and data-centric cloud computing services. In 2012, two of Alibaba's portals together handled 1.1 trillion yuan (\$170 billion) in sales, more than eBay and Amazon combined.	1999
<b>Craigslist</b>	Craigslist is a classified advertisements website with sections devoted to jobs, housing, personals, items for sale, items wanted, services, community events and more. Craigslist currently operates in over 570 cities, across 50 countries.	1995
<b>Airbnb</b>	Airbnb a leading marketplace for travel rentals. A platform that allows travelers to connect with homeowners looking to rent out their room or property on a short term basis.	2008
<b>Uber</b>	Uber is a mobile application that connects passengers with drivers of luxury vehicles for hire.	2009

## Jobs and Employment Opportunities are Shifting Online

Pre-Internet, employers paid for small, expensive job advertisements in the classifieds section of print newspapers. These sales opportunities were highly lucrative for media companies. With the Internet, many new online classifieds companies came into existence to capture this business.

In the late 1990s / early 2000s as the Internet proliferated, a number of global web-based online marketplaces for jobs were created. These marketplaces broke down geographic boundaries, and connected employers and

freelancers, no matter where they were in the world. In the 2000s, a number of specialised, or "vertical" marketplaces appeared, with specific examples focusing on industries including graphic design, local trades or legal services.

As the Internet has increased in bandwidth and sophistication, and human-computer interaction has improved, the type and sophistication of work that two people on the other side of the world can perform together has increased in scope.

Era	Channel	Paradigm	Examples
<b>Pre-1990s</b>	Newspaper Classifieds	Traditional media	Sydney Morning Herald, The Guardian, New York Daily
<b>Late 1990s, early 2000s</b>	Internet	Online Classifieds	Craigslist, SEEK, Monster.com, Indeed.com (aggregator)
<b>Late 2000s, early 2010s</b>	Internet	Job Marketplaces	Freelancer, vWorker/RentaCoder, GetAFreelancer, Scriptlance, Elance, ODesk, LimeExchange

**Examples of other types of marketplaces**

Year started	Company	Description
2001	Legalzoom	Vertical marketplace in legal
2007	Service Seeking	Trades marketplaces
2007	ZocDoc	Health services marketplace
2008	TaskRabbit	Local Jobs
2008	99designs	Graphic design marketplace

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## 2.3 OTHER KEY DRIVERS: STRUCTURAL CHANGE IN DEVELOPED ECONOMIES

### The Casualisation of the Workforce

According to the United States House Committee on Ways and Means, from January 2009 to July 2013, the United States added a net total of 270,000 full-time jobs versus adding a net total of 1.9 million part-time jobs<sup>1</sup>. Similarly, almost a quarter of all employees in Australia (23.9 percent, or 2.2 million people) were casual employees, according to the 2012 Independent Inquiry into Insecure Work<sup>2</sup>.

### Nearly all the Net Job Creation comes from High Growth Companies

Over the last three decades, high-growth enterprises less than five years old have created 40 million net new jobs, accounting for nearly all the net new job creation in America according to the President's Council on Jobs and Competitiveness<sup>3</sup>. These high growth companies require high technology skill sets.

### Skills Shortage in the Western World and the Baby Bust

In some western economies, the next decade will see more baby boomers leave the workforce than 15-year-olds enter it. Firms are facing constraints on the availability of qualified labour resources as older workers age out of the workforce or reduce their hours, leaving a gap in productivity.

Japan provides one example of a skills shortage which has in part been caused by aging demographics and a declining fertility rate. The Company believes that the western world will have an ever increasing need into the foreseeable future to outsource technology and other white collar jobs.

India, on the other hand, is at a peak in the volume of people entering the labour market population, with a net injection of 14 million people aged 15-64 every year entering into India's workforce. Just under 30% of India's population is now under the age of 15, according to the CIA World Fact Book<sup>4</sup>.

As a result, many skills vital to developed economies are available in developing countries. The National Science Foundation reported, that in the middle of the technology boom of the last decade and a half, undergraduate engineering enrollments declined from 420,900 students in 1985 to about 361,400 students by 1999 before rebounding to about 422,000 in 2003. By 2005, it declined to 409,300<sup>5</sup>.

### Growing Mismatch between the Skills Employers Need and Talent Available

According to a survey by Manpower, an international employment agency, 34% of employers surveyed worldwide in 2012 found it difficult to fill positions because of talent shortages in their markets<sup>6</sup>. Over half (54%) of the world's college graduates are coming from Brazil, China, India, Indonesia, Mexico, Russia and Turkey, compared with 46% from France, Germany, the U.K., the U.S. and the other industrialised countries that have traditionally been the primary providers and users of highly skilled and educated talent<sup>7</sup>.

### Theoretical Upper Bound Limits to Outsourcing

The affinity to outsourcing varies by industry and is limited by the need for physical proximity, local knowledge and a requirement for complex interactions. Adoption of offshoring is driven by cost pressures but limited by operational factors. With the increased digitisation of work practices and continual improvements in the human-computer interface and social interactivity, many of these barriers will increasingly be broken down.

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#### Notes:

<sup>1</sup> United States House Committee on Ways and Means, Part Time Nation.

<sup>2</sup> Howe Inquiry Summary Report February 2013, Page 2.

<sup>3</sup> The President's Council on Jobs and Competitiveness, October 2011.

<sup>4</sup> CIA World Fact Book, Accessed 10 August 2012.

<sup>5</sup> National Science Foundation, Science and Engineering Indicators 2008.

<sup>6</sup> Manpower, Talent Shortage Survey 2012.

<sup>7</sup> Towers Watson, Global Survey 2021.



The McKinsey Global Institute found that engineering and finance/accounting occupations are the most amenable to offshoring (52 percent and 31 percent, respectively), while generalist and support staff occupations are the least (9 percent and 3 percent, respectively) because of the close interactions they entail with customers or colleagues. Highly amenable areas include customer service & support, internal IT, R&D and product development, back office, administrative functions and design<sup>1</sup>.

Additionally, Forrester Research has predicted that 3.4 million US jobs, including 473,000 or 8% of all jobs in the information and communications technology industry in the US will be moved offshore<sup>2</sup>.

### **Remote or Flexible Work is Increasing**

As a result of the skills shortage and growth in technology, nearly half (47%) of companies in a global survey by Towers Watson, an international HR company, said they had staff working remotely or in some kind of flexible arrangement<sup>3</sup>.

### **Online Outsourcing Benefits from Economic Turmoil**

Online outsourcing marketplaces are acyclical businesses which benefit from economic crisis. The Global Financial Crisis saw a large rise in the use of online outsourcing as budgets became tight amongst small businesses and more people became unemployed.

In a McKinsey Global Institute report<sup>1</sup>, it was predicted that **160 million jobs, or about 11% of the projected 1.46 billion services jobs worldwide, could in theory be carried out remotely, barring any constraints in supply.**

2

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#### Notes:

<sup>1</sup> McKinsey Global Institute, The Emerging Global Labor Market 2005, Part I: The Demand for Offshore Talent in Services.

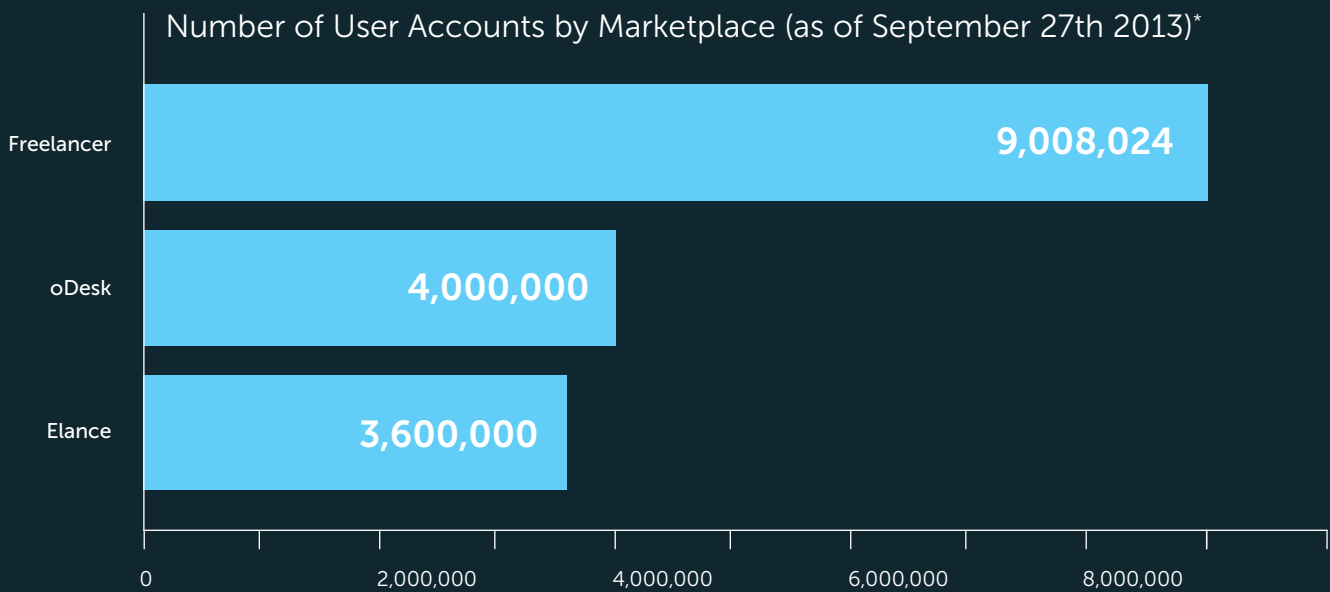
<sup>2</sup> John C. McCarthy, Near-Term Growth of Offshoring Accelerating, Forrester Research, Inc., 14 May 2004.

<sup>3</sup> Towers Watson, Global Workforce Survey 2012.

# 2.4

## COMPETITIVE LANDSCAPE

The worldwide online outsourcing industry is fragmented with revenue spread across a number of participants. Globally, the three largest outsourcing marketplaces are Freelancer, oDesk and Elance. Freelancer is the largest globally by total number of users and number of project listings according to online counts displayed on each website.



\* Elance and oDesk numbers are approximate from publicly available information.

oDesk and Elance are both US companies. oDesk was founded in 2005 and is based in Redwood City, California. Elance was first launched in 1999 and is similarly based in the Silicon Valley area in Mountain View. Both companies are privately held and so revenue and other financial information is not publicly available.

Freelancer is the only company of the three that operates regional marketplaces (40 currently, for example freelancer.cl in Chile), that is multilingual (31 languages currently) and is multicurrency (18 currencies currently).

Outside of the three market leaders, there are a large number of much smaller marketplaces. These marketplaces are often concentrated on a geographic region (e.g. Twago in Germany), or a vertical segment (e.g. 99designs for Graphic Design).

# 2.5

## REGULATION

Freelancer operates in a large number of jurisdictions throughout the world and is subject to local laws and practices in each of those jurisdictions. Generally speaking, these are general commercial laws and practices (such as competition and trade practices regulations).

# 3.0

## COMPANY OVERVIEW



## Timothy W. Roach

Legal, Contracts, Legal Research,  
Copywriting and Employment Law

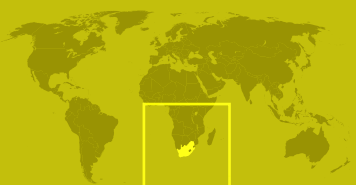
“Freelancer has provided me an amazing opportunity to support my family living abroad while allowing me to still work with clients from all over the globe.”



4.9/5.0 rating, 60 reviews

Member since April 2011

📍 Table View, South Africa



# 3.1

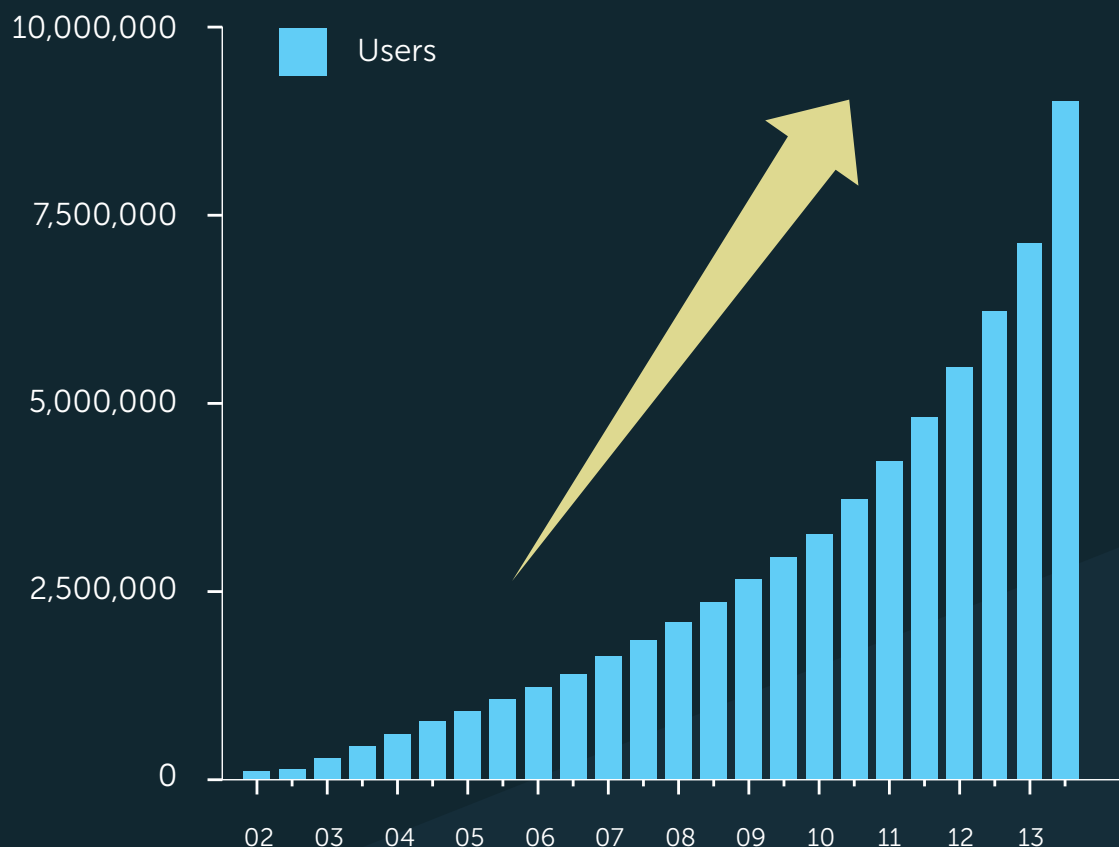
## OVERVIEW

Freelancer is the world's largest freelancing, outsourced services and crowdsourcing marketplace<sup>1</sup>. Freelancer connects small business, consumers, startups and entrepreneurs who need things done with a global workforce of skilled online freelancers who are looking for jobs.

<sup>1</sup> By number of total users and projects.



# 9,008,024 Users\*



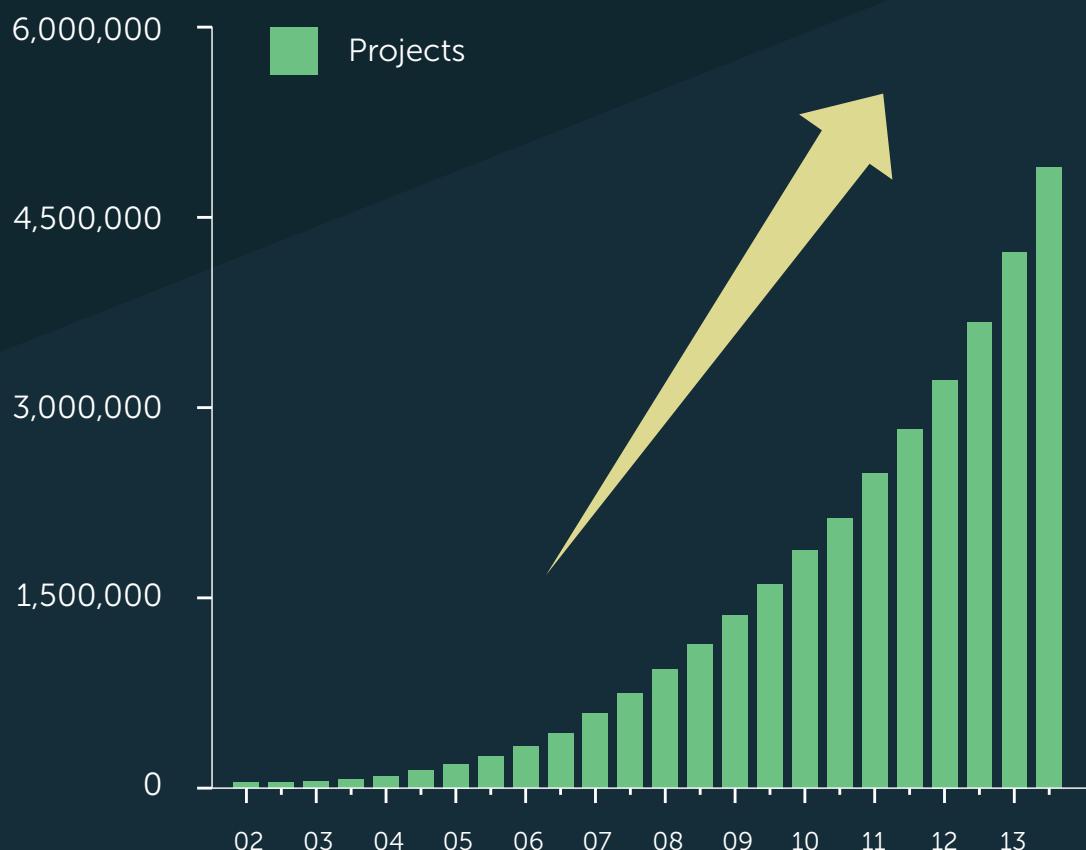
\* As of 27th September 2013, Number of User Accounts in the Freelancer Marketplace. User data includes all users from acquired marketplaces including, but not limited to GetAFreelancer, EUFreelance, Scriptlance, LimeExchange and vWorker/RentACoder. Prior to 2009, all data is from acquired marketplaces.

Over 9.0 million users have in total posted over 4.9 million projects worth US\$1.2 billion (27 September 2013).

Our mission is to help entrepreneurs globally by connecting entrepreneurs running small businesses and startups in the developed world with a skilled workforce building service organisations in the developing world. Our ultimate vision is try to beneficially change 1 billion people's lives on the planet by giving them a (small) job.

Over 600 categories of work are available in Freelancer's marketplace including website design, information technology, software development, mobile applications & computing, writing & content, design, media & architecture, data entry & admin, engineering & science, product sourcing & manufacturing, sales & marketing, business, accounting, human resources & legal and translation & languages.

# 4,970,180 Projects\*



\* As of 27th September 2013, Number of Projects Posted in the Freelancer Marketplace. Project data includes all projects from acquired marketplaces including, but not limited to GetAFreelancer, EUFreelance, Scriptlance, LimeExchange and vWorker/RentACoder. Prior to 2009, all data is from acquired marketplaces.

Freelancer addresses pain points for both the developing and developed world. In developing world economies, there is a large, highly skilled, underpaid and relatively untapped workforce who are increasingly embracing the Internet to improve their standard of living and access new opportunities.

In the developed world, small businesses and startups are increasingly having trouble finding good staff and facing tighter budgets.

Freelancer provides small businesses and startups simple, quick and cost efficient ways to get things done while providing employment and global opportunity for a fast growing, skilled workforce in the developing world.

Our goal for the platform is to allow people to connect, to perform any type of work, from anywhere in the world, at any time, in any language, in any way, making it the most diverse online services marketplace in the world.



Image: Freelancer Software Engineers



# 3.2

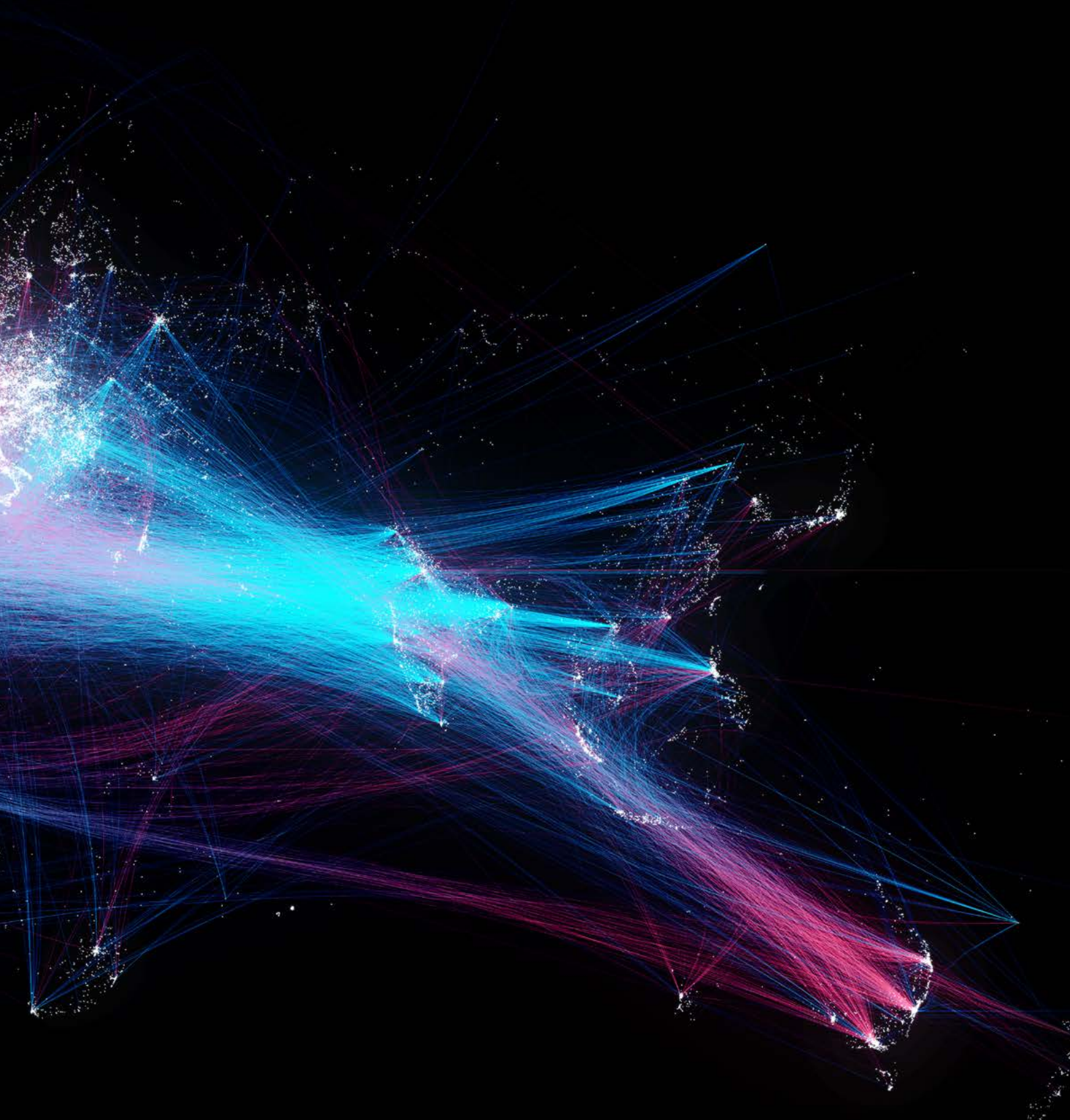
## EVOLUTION OF FREELANCER

January 2009	Business commenced
May 2009	Initial financing raised from Startive Capital   GetAFreelancer (Sweden) acquired.
September 2009	<b>1 MILLION USERS</b>
October 2009	GetAFreelancer.com rebrands to Freelancer.com
November 2009	<b>500,000 PROJECTS POSTED</b>
July 2010	Launches <b>freemarket.com</b> virtual content marketplace
November 2010	Freelancer.co.uk (United Kingdom) acquired
December 2010	Limeexchange (USA) acquired   <b>2 MILLION USERS</b>
March 2011	Freelancer CEO Matt Barrie named inaugural BRW Entrepreneur of the Year
April 2011	<b>1 MILLION PROJECTS POSTED</b>
May 2011	Company wins two Webby Awards from the International Academy of Digital Arts and Science in the 15th Annual Webby Awards
June 2011	Launches <b>Freelancer Contests</b> crowdsourcing platform
December 2011	<b>3 MILLION USERS</b>
May 2012	Freelancer wins third Webby Award in the 16th Annual Webby Awards
July 2012	Freelancer acquires Scriptlance (Canada)   Freelancer launches in Spanish and German
November 2012	Freelancer acquires vWorker / Rentacoder (USA)
December 2012	<b>4 MILLION PROJECTS POSTED</b>   25 regional marketplaces   10 languages
July 2013	<b>8 MILLION USERS</b>   30 Languages
August 2013	Freelancer wins three Stevie Awards in the 10th Annual International Business Awards



# OUR ONLINE ECONOMY





The Freelancer Online Economy connects over 9.0 million professionals from 247 countries, regions and territories worldwide. Over 4.9 million projects have been posted to date, with value over US\$1.2 billion. 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 27 September 2013.





3

## 3.3

## BUSINESS MODEL &amp; SERVICES

## Freelancer's network of 40 regional websites

## North America

 US (International) Canada Jamaica

## Africa

 South Africa

## Europe

 United Kingdom European Union France Germany Greece Portugal Spain Sweden Iceland Italy Netherlands Turkey Poland Romania Russia

## Asia Pacific

 Australia New Zealand Hong Kong Bangladesh India Indonesia Japan Malaysia Pakistan Philippines P.R. China Singapore Thailand

## Latin America

 Argentina Brazil Chile Colombia Ecuador Mexico Peru Uruguay

## Languages currently supported by Freelancer

Afrikaans

বাংলা

Català

Čeština

Dansk

Deutsch

ελληνικά

English

Español

Suomi

Filipino

Français

हिन्दि

Magyar

Bahasa Indonesia

Italiano

日本語

한국어

Bahasa Malaysia

Norsk-Bokmål

Nederlands

Polski

Português

Română

русский язык

Shqip

Svenska

Kiswahili

Türkçe

Tiếng Việt

中文(简体)

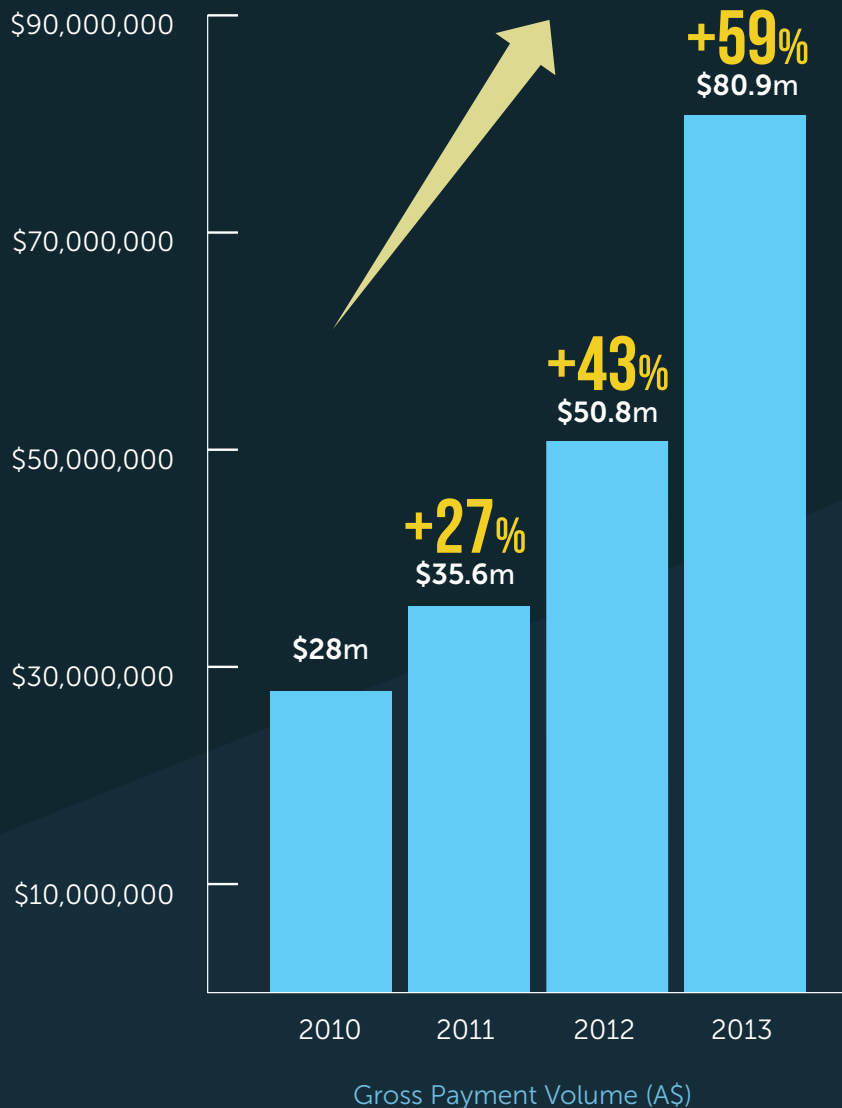
Freelancer, in addition to the main international site Freelancer.com, operates a network of 40 regional websites, such as freelancer.cl in Chile, making a seamless experience available in 31 languages and 18 currencies, with 24x7x365 multilingual support available.

In the last 12 months, these sites have generated over 82 million visits. As of the 7th October 2013, Alexa.com ranks Freelancer.com the 426th biggest website globally by traffic, 30th in the world for Business and 1st in the world for Business Services.

# \$80.9M

+59% GROSS PAYMENT VOLUME GROWTH 2012-2013

Forecast for Financial Year Ended 31 December 2013



### 3.3.1 Services & Revenue Streams

Freelancer's revenue is primarily generated from users posting jobs. These users are acquired from a variety of sources including search engine marketing (SEM), search engine optimisation (SEO), media and public relations work, user referrals, competitions, traditional advertising and email marketing. Jobs are mainly posted as a project (outsourcing), or posted as a contest (crowdsourcing).

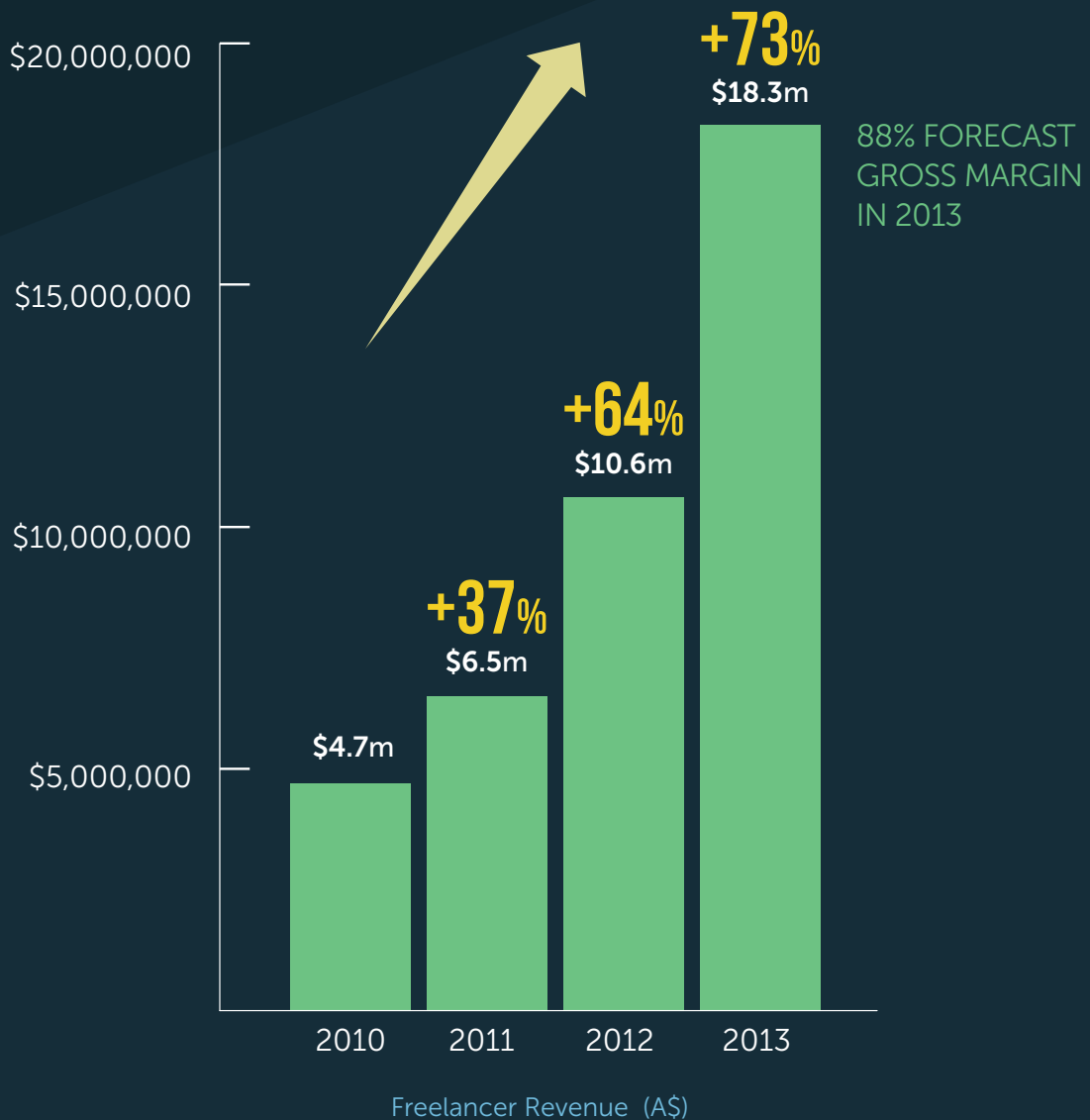
The main fee income is from project commissions generated when projects are awarded by users and subsequently accepted

by other users. These fees vary by project value, and are paid primarily as an introduction fee at the time of acceptance. Freelancer generates project commissions between 0-3% of the value of a project from employers, and 3-10% of the value from freelancers. The actual commission depends on whether a user is on a free or paid membership plan. Membership plans range from US\$5 to US\$49.95 a month, and provide additional features and benefits. Freelancer also generates fees from other services including project upgrades, crowdsourcing contest upgrades, bid upgrades, transaction fees, advertising and certification fees.

# \$18.3M

+73% REVENUE GROWTH 2012-2013

Forecast for Financial Year Ended 31 December 2013



The Gross Payment Volume above is based on Freelancer's unaudited management accounts for the years ended 31 December 2010, 2011 and 2012, and its internal management forecast for the year ended 31 December 2013, which has not been subject to an auditors review.

The above revenue and gross margin information is based on Freelancer's pro-forma historical financial results for the years ended 31 December 2010 and 2011, its historical financial results for the year ended 31 December 2012, and its forecast financial

results for the year ended 31 December 2013. See Section 4.2 for further details.

Revenue was \$4.7m in FY2010, \$6.5m in FY2011 (up 37.4%), \$10.6m in FY2012 (up 64.5%) and is forecast to be \$18.3m in FY2013 (up 72.5%). Gross margin in FY2013 is forecast to be 88%.

Gross Payment Volume was \$28.0m for FY2010, \$35.6m for FY2011 (up 27.4%), \$50.8m for FY2012 (up 42.6%) and is estimated to be \$80.9m for FY2013 (up 59.3%).



### 3.3.2 Projects

The main way in which work is accomplished through Freelancer is through posting (outsourcing) a project. To post a project, a user fills out a title and description for the task and selects the appropriate skills required and a budget. Users can select their projects to be either a fixed price or hourly engagement. The average project value on Freelancer is under \$200. At the time of posting, there are a number of optional paid upgrades that a user can select, such as paying for featuring the project, or requiring a non-disclosure agreement to be signed by freelancers before bidding.

Freelancer.com is free to sign up, post a project, receive bids from users, review the user's portfolio, view their profile and feedback, and discuss the project requirements. If a user chooses to award the project, and the other user accepts, both parties are charged a project fee relative to the value of the selected bid, as an introduction fee.

Users posting projects are charged between 0% and 3%, and users performing projects are charged between 3% and 10%, depending on the type of project and whether or not the user is on a free or paid membership plan.

#### Examples of past projects on Freelancer include:

##### 30 Bids / US\$19 Per Hour Average Bid

Online store creation & SEO advice for a new Australian business

##### 9 Bids / £60 Average Bid

Design a menu for a restaurant

##### 36 Bids / US\$268 Average Bid

CAD/CAM mechanical design for a full size dune buggy

### 3.3.3 Contests

The other main way of performing work is via a crowdsourcing contest, using Freelancer Contests. The process is similar to posting a project, but instead of a budget range, the user indicates a total prize for the contest. Other users then submit entries e.g. logo designs, competing to win the prize. The posting user provides written feedback and rates their submissions during the duration of the contest.

Once the contest is completed, the posting user selects a winning freelancer, who receives the prize and the work is transferred. Contests are a very powerful way to

get selected types of work done. Freelancer generates revenue through a contest fee which is proportional to the value of the prize. This fee varies depending on whether the user is on a free or paid membership plan.

#### Examples of past contests on Freelancer include:

##### 847 Entries / US\$30 Contest Prize

Brainstorm name for a new company

##### 321 Entries / US\$100 Contest Prize

Design a logo for a property investment company

##### 76 Entries / US\$1,000 Contest Prize

Website design for web hosting company

### 3.3.4 Memberships

Users can optionally choose to upgrade to a paid membership plan. These plans provide a number of additional features and benefits such as lower commissions, more bids, free project upgrades, and large portfolios. These plans currently range from US\$4.95 a month to US\$49.95 per month, depending on the features.

### 3.3.5 Reputation System

Central to the function of any online marketplace is the reputation system. Similar to eBay, users can see the feedback, rating and history for others before they decide to transact.

The Freelancer reputation system is multidimensional and details every project ever performed, the value of that project and the rating provided by the other party after the job completes. This rating includes quantitative evaluation scores for items including quality, communication, expertise, professionalism and likelihood of hiring the user again.

Additionally, a user performing a project leaves a similar score for the project posting user at completion of the project. Their review details how the project went and how well the project posting user managed the entire process in terms of providing a clear brief of work, communication and payment.

Freelancer's proprietary reputation system provides trust, security and increases the quality of the marketplace. The reputation provides social proof, and users with higher reputations have a higher chance of getting hired or having users bid for their projects.



### 3.3.6

## Global Online Marketplace

Freelancer operates a marketplace from its core Freelancer.com website and 40 regional websites, which have been used from 247 different countries, regions and territories. Each regional website attempts to default to the local language and currency of its users, where supported, with 31 languages and 18 currencies currently supported. Freelancer's main website operates in English and US Dollars by default. Each of Freelancer's websites contributes to the liquidity of the global online marketplace, with users on any of Freelancer's websites able to bid on projects posted by users on any of Freelancer's websites.

In order to facilitate greater cross-currency project and contest participation amongst its users, Freelancer provides users an option to withdraw their earned money in a subset of the currencies currently supported, facilitating the currency exchange when required. Payments to and from Freelancer users are effected through online and other third-party payment processors, which are integrated into Freelancer's payments infrastructure.

By aggregating various international and regional Payment Gateways and banking arrangements, Freelancer is able to facilitate transactions between its users on its online marketplace and charge fees in a relatively frictionless manner, taking into account the breadth of locations, currencies and languages which Freelancer supports.

# 3.4

## KEY STRENGTHS

### 3.4.1 Addresses a Large, Global Problem

Freelancer delivers jobs to developing world economies in technical areas where they are desperately needed, while helping small business in developed economies power their businesses easily and inexpensively.

### 3.4.2 Market Leader

#### Network Effects & Marketplace Liquidity

Freelancer is the world's largest freelancing, outsourced services and crowdsourcing marketplace by users and number of projects posted. This creates a strong competitive advantage in terms of network effects. Simply put, online marketplaces generally tend towards 'winner takes all' because the buyers want to go where the most sellers are, and the sellers want to go to where the most buyers are. The Freelancer marketplace is highly liquid, with over 1.1 million bids for projects from users per month, 98% of projects posted receiving bids and 80% of projects posted receiving a bid within the first 15 minutes.

### 3.4.3 Scalable Business Model

Freelancer's business is highly scalable, with both low fixed costs, as well as low variable costs per additional incremental unit of revenue. Our gross margins are forecast at approximately 88% in FY2013. Put simply, the website can accommodate many additional users and projects without a large increase in costs.

### 3.4.4 Strong Growth Prospects

Almost 4.5 billion people are about to join the Internet. When they do so, they will need a job, as they live today on less than \$10 a day. It is likely that they will use the Internet to find work. Freelancer is well positioned for the future as a result.

### 3.4.5 High Quality, Experienced Team

Freelancer is structured around three core competencies that are key to our competitive success: engineering, growth, and customer experience. As of September 2013, there are over 300 staff and contractors globally.

Engineering is responsible for the design, development, and support of the highly scalable platforms and features that drive Freelancer.

Growth comprises of data scientists, computer scientists, product managers, engineers, mathematicians, physicists and statisticians who are responsible for the exploration, analysis, strategy and optimisation of the marketplace.

Customer Experience is responsible for managing customer interactions and support processes to ensure the delivery of an exceptional experience for users of the platform. This multilingual team numbers over 200, operates 24x7x365 supporting a highly diverse user base - spanning 247 different countries, regions and territories and 31 languages.

Chief Executive **Matt Barrie** is well known in technology, having won numerous awards including being named the inaugural BRW Entrepreneur of the Year in 2011.

Non-executive Director **Simon Clausen** founded PCTools, which he built up to over \$100 million dollars in revenue, more than 250 employees and offices in 7 countries. PC Tools was acquired by Symantec Corporation (NASDAQ:SYMC) in October 2008 in one of Australia's largest ever technology acquisitions.

Chief Technology Officer & Director **Darren Williams** has a PhD in Computer Science and is formerly the CEO & CTO of a high performance network hardware company.

### 3.4.6 Strong Competitive Position

#### Barriers to Entry:

Freelancer's reputation system provides a significant barrier to entry for new competitors. Users are far more likely to hire other users to complete their projects online if they see that the user has successfully completed similar projects many times before. With provenance back to 2000 with marketplaces acquired by Freelancer, some of the users on the site have thousands of feedbacks.

Similarly, the reputation system's public and private data is proprietary information and is non-exportable. The top users on the site with the highest reputation for performing projects are earning many hundreds of thousands of dollars per annum. These good users, as a result, are locked in to the platform - if they were to join another platform they would have to start from the beginning.

### 3.4.7 Strong Track Record

Strong track record of execution and growth since inception in 2009 across key metrics, including; revenue, turnover, users, projects, Gross Payment Volume, geographic coverage, jobs coverage, press coverage, international recognition, awards and website traffic.

### 3.4.8 Strong Financial Position

Assuming that completion of the Offer and related transactions disclosed in this Prospectus had occurred as at 30 June 2013, Freelancer would have had cash balances of approximately \$24 million, net tangible assets of approximately \$11.9 million (inclusive of non-current receivables of \$3 million relating to the ESP Loans) and no net debt.

### 3.4.9 Deep Technical Experience

The Freelancer team and management are deeply technical, with higher tertiary engineering and computer science qualifications from leading institutions.

Freelancer embraces cutting edge technology including use of cloud technology, open source software, rapid and iterative development methodology, real-time interactions, and service oriented architectures.

The use of cloud technology as the hosting platform for Freelancer has provided us with the on-demand flexibility needed to meet the scaling requirements of our rapidly evolving and expanding platform. As the amount of work posted, and users on the platform rapidly increase we are able to scale our systems to meet the demands of our growth, while optimizing costs by only paying for resources as they are used.

Our extensive use of open source software enables us to benefit from the best and latest technologies driven by the communities of developers that surround them. It also allows us to incorporate improvements made to that software back into our platform as soon as they are made.

Freelancer emphasises rapid and iterative development, ensuring our new technology is put in front of our users as early and often as possible.

Our strategy of "in real time" means that we always strive to provide our users with instant interactions with both the platform and each other, meaning that a user can progress from signing up to hiring or working in a matter of minutes.

We use a range of programming languages including PHP, and Python for our primary platform systems, and Go and NodeJS for highly concurrent, and high performance

systems. To support generic inter-service, language agnostic communication we utilise the Apache Thrift framework, and our queueing and event distribution mechanism is built on the RabbitMQ messaging system. We also use the Puppet configuration and automation framework for managing our hosting and infrastructure systems. This technology helps us deliver the cutting edge real time capabilities that drive the Freelancer platform.

### 3.4.10 Strong Growth Strategy

Freelancer strongly believes in the beneficial impact of network effects of online marketplaces. As a result, the Company's strategy has been to aggressively focus on growth. The Company's data-driven growth team and rapid engineering methodology has been instrumental in achieving this.

This growth strategy includes:

- aggressively developing Freelancer's services so that our users can work together on any job, in any country, in any language at any time in the world;
- continued investment in our unique engineering, growth and customer experience teams and cutting edge technology to make the experience as high quality and seamless as possible;
- continued investment in the Freelancer brand globally to drive awareness, volume and revenue; and
- continued assessment of global strategic acquisition and expansion opportunities.

# 3.5

## AWARDS AND RECOGNITION

Freelancer and its Chief Executive Officer have received the following awards and recognition:

**Entrepreneur of the Year (Matt Barrie)**

Engineers Australia Engineering Excellence Awards  
Sydney 2013

**Gold Stevie for Best Software Programming/Design**

International Business Awards 2013

**Silver Stevie for Executive of the Year  
– Internet/New Media (Matt Barrie)**

International Business Awards 2013

**Bronze Stevie for Communications  
or PR Campaign of the Year**

International Business Awards 2013

**Blackberry Young Entrepreneur of the Year  
(Matt Barrie)**

News Limited 2013

**Best Enterprise**

19th Annual AIMIA Awards 2013

**Best Company Website with over 20 Employees**

SmartCompany Web Awards 2012

**People's Voice Award**

16th Annual Webby Awards 2012

**Technology Fast 50**

Deloitte 2012

**Company of the Year, Internet / New Media**

International Business Awards 2012

**People's Choice Award**

18th Annual AIMIA Awards 2012

**Webby for Best Employment Site**

15th Annual Webby Awards 2011

**People's Voice Award**

15th Annual Webby Awards 2011

**Best Export Achievement**

17th Annual AIMIA Awards 2011

**People's Choice Award**

17th Annual AIMIA Awards 2011

**Technology Entrepreneur of the Year  
– Eastern Region (Matt Barrie)**

Ernst & Young 2011

**Inaugural BRW Entrepreneur of the Year  
(Matt Barrie)**

BRW 2011

**Fast Starters 2011**

BRW 2011

**Best Online Business**

Anthill Awards 2010

**Best Global Growth**

Anthill Awards 2010

**Readers' Choice**

Anthill Awards 2010

**Entrepreneur of the Year (Matt Barrie)**

Dynamic Business Magazine 2010

3





Image: Freelancer Management

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4.0

**FINANCIAL  
INFORMATION**





## Allen Henry Infante Aguilar

Expert programmer in 5 languages  
focused on eCommerce

**“Being a freelancer means to me being free to work on my own schedule, giving more time to enjoy life.”**

“Being a freelancer means to me being free to work on my own schedule, giving more time to enjoy life. Being free to work from any place in the world, my office is any place where my laptop is. Being free to earn money, how much I want to earn is only up to me; more work, more money. Being free to learn. Being free of traffic. Being free of bosses. I’m my own CEO, I’m my own boss, not many people can say that. For all these reasons I’m a proud freelancer at Freelancer.com”



5.0/5.0 rating, 94 reviews,  
Member since August 2007

📍 Lima, Peru





# 4.1

## INTRODUCTION

This Section contains a summary of the Financial Information for Freelancer.

## 4.1.1 Introduction

References in this Section to Freelancer are intended to encompass the consolidated Group unless the context requires otherwise. Investors should refer to Section 4.6.1 for an overview of all Freelancer entities. Investors should note that Freelancer's financial year ends on 31 December.

The financial information contained in this Section 4 (**Financial Information**) comprises the following:

- pro-forma historical financial information for Freelancer, being the:
  - pro-forma historical consolidated statements of comprehensive income for FY2010 and FY2011;
  - pro-forma summarised historical consolidated statements of cash flow for FY2010 and FY2011; and
  - pro-forma consolidated statement of financial position as at 30 June 2013 (the **Pro-forma Consolidated Statement of Financial Position**),

(together the **Pro-forma Historical Financial Information**);

- historical financial information for Freelancer, being the:
  - historical consolidated statements of comprehensive income for FY2012 and HY2013;
  - summarised historical consolidated statements of cash flow for FY2012 and HY2013; and
  - historical consolidated statements of financial position as at 31 December 2012 and as at 30 June 2013,

(together the **Historical Financial Information**);

- forecast financial information for Freelancer, being the:
  - forecast consolidated statement of comprehensive income for FY2013, incorporating actual historical results for HY2013;
  - assumptions used in the preparation of the forecast financial information, comprising both general and specific assumptions outlined in Section 4.3 (the **Key Best Estimate Assumptions**); and
  - a sensitivity analysis, comprising performance-related sensitivities,

(together the **Forecast Financial Information**); and

- Significant Accounting Policies and Material Accounting Matters (see Section 4.6).

## 4.1.2 Basis and Method of Preparation

The Financial Information included in this Section 4 has been prepared and presented in accordance with the recognition and measurement principles of Australian Accounting Standards adopted by the Australian Accounting Standards Board and the Corporations Act 2001. The Financial Information provided complies with International Financial Reporting Standards adopted by the International Accounting Standards Board. The Financial Information is presented in an abbreviated form insofar as it does not include all the disclosures, statements or comparative information as required by Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act 2001. Significant accounting policies of Freelancer relevant to the Financial Information are included in Section 4.6.

## 4.1.3 Pro-forma Historical Financial Information

As Freelancer did not represent a wholly-owned group for the entirety of FY2010, the Financial Information relating to FY2010 has been presented as an aggregation of the financial statements of each of the entities now wholly-owned by Freelancer. Further, the Financial Information relating to FY2011 is presented on the same basis to ensure comparability with the FY2010 Financial Information. Any references to the consolidation of Freelancer's Financial Information should be considered as an aggregation only for FY2010 and FY2011. Note that there is no material difference between statutory and pro-forma net profit after tax and net cash flows for FY2010 and FY2011.

The Financial Information relating to the entities for FY2010 and FY2011 has been extracted from each entities' financial statements, which are aggregated, and on which unmodified audit opinions have been issued by Hall Chadwick Chartered Accountants.

The Pro-forma Consolidated Statement of Financial Position has been prepared by adjusting the historical consolidated statement of financial position as at 30 June 2013 for the adjustments outlined in Section 4.5.1 relating to the Offer and related transactions disclosed in this Prospectus.

#### 4.1.4

### Historical Financial Information

The Financial Information of Freelancer for FY2012 has been extracted from the audited special purpose financial reports for Freelancer for FY2012, on which an unmodified audit opinion was issued by Hall Chadwick Chartered Accountants.

The Financial Information for HY2013 has been extracted from the special purpose management report on which an unmodified review conclusion has been issued by Hall Chadwick Chartered Accountants.

Investors should note that past results are not a guarantee of future performance.

#### 4.1.5

### Forecast Financial Information

The Forecast Financial Information has been prepared with reference to a number of estimates and assumptions concerning future events. These include the assumptions set out in Section 4.3.

The Forecast Financial Information results comprise unaudited historical financial results for the eight months ended 31 August 2013 and forecast results for the four months ending 31 December 2013. The Forecast Financial Information includes the effect of Offer costs and the financial impact of additional public company costs from the assumed date of listing of the Shares on the ASX, but does not include any other financial impacts of the Offer. The Forecast Financial Information is subject to the risks set out in Section 5. This information is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring and is not intended to be a representation that the assumptions will occur.

The Directors believe that the Forecast Financial Information has been prepared with due care and attention. They consider the Key Best Estimate Assumptions as a whole to be reasonable as at the time of preparing this Prospectus. However, this information is not fact and investors are cautioned not to place undue reliance on the Forecast Financial Information. Both the Forecast Financial Information and the Key Best Estimate Assumptions are by their very nature subject to significant inherent business, economic and political uncertainties and risks, many of which are outside of the control of the Directors and are not reliably predictable. Therefore, actual financial results are likely to vary from those forecast and variations may be materially positive or negative. As a result, neither the Directors nor the Company can give any assurance that the financial results set out in the Forecast Financial Information will be achieved.

#### 4.1.6

### Additional Information and Support for Financial Information

The Pro-forma Historical Financial Information, Historical Financial Information and the Forecast Financial Information should be read in conjunction with the Independent Accountants Report on Pro-forma, Historical and Forecast Financial Information set out in Section 8. In addition, the Forecast Financial Information should be read in conjunction with the assumptions set out in Section 4.3, the sensitivity analysis set out in Section 4.7 and the risks set out in Section 5.

# 4.2

## STATEMENTS OF COMPREHENSIVE INCOME

Set out in the table below are the summarised historical consolidated statements of comprehensive income and the summarised forecast consolidated statement of comprehensive income for Freelancer. This information should be read in conjunction with the information provided elsewhere in this Prospectus.

A\$'000 (thousand)	Pro-forma Actual FY2010 <sup>1</sup>	Pro-forma Actual FY2011 <sup>1, 2, 3</sup>	Statutory Actual FY2012 <sup>3</sup>	Statutory Actual HY2013 <sup>3</sup>	Statutory Forecast FY2013 <sup>3, 4</sup>
Net Revenue	4,702	6,460	10,627	8,453	18,338
Cost of Revenues	(817)	(859)	(1,342)	(971)	(2,267)
<b>Gross Profit</b>	<b>3,885</b>	<b>5,601</b>	<b>9,285</b>	<b>7,482</b>	<b>16,071</b>
FX gains / (losses)	228	(108)	27	(513)	(481)
Operating Expenses	(3,234)	(6,063)	(8,542)	(6,358)	(14,507)
Offer Costs	-	-	-	-	(348)
<b>EBITDA</b>	<b>879</b>	<b>(569)</b>	<b>770</b>	<b>611</b>	<b>736</b>
Depreciation	(15)	(50)	(94)	(73)	(182)
<b>EBIT</b>	<b>864</b>	<b>(619)</b>	<b>677</b>	<b>538</b>	<b>554</b>
Interest Expense	(155)	(13)	(1)	-	-
<b>Profit Before Tax</b>	<b>709</b>	<b>(631)</b>	<b>676</b>	<b>538</b>	<b>554</b>
Income Tax	(154)	155	52	(61)	(84)
<b>Profit After Tax</b>	<b>555</b>	<b>(476)</b>	<b>728</b>	<b>477</b>	<b>471</b>

A\$'000 (thousand)	Pro-forma Actual FY2010 <sup>1</sup>	Pro-forma Actual FY2011 <sup>1, 2, 3</sup>	Statutory Actual FY2012 <sup>3</sup>	Statutory Actual HY2013 <sup>3, 5</sup>	Statutory Forecast FY2013 <sup>3, 4</sup>
<b>Net Revenue Growth</b>	n/a	37%	64%	96%	73%
<b>EBIT Growth</b>	n/a	-172%	209%	30%	-18%
<b>EBIT Margin</b>	18.38%	-9.58%	6.37%	6.37%	3.02%
<b>EPS (cps)</b>	n/a	n/a	n/a	n/a	0.11

### Notes:

<sup>1</sup> The basis for the pro-forma adjustments is described in Section 4.1.3. There is no material difference between statutory and pro-forma net profit after tax.

<sup>2</sup> In FY2011, the EBIT of Freelancer was negatively impacted by a significant increase in the marketing program to increase the global exposure of the Freelancer website. Also in that year, Freelancer incurred additional expenditure from increasing the size of its customer service office in Manila, Philippines.

<sup>3</sup> An incidental part of the Freelancer service is to permit currency conversions of user obligations under certain circumstances. Currency conversions are settled immediately at an exchange rate, which includes a processing fee above the wholesale exchange rate at which Freelancer obtains foreign currency. These fees are included as part of Net Revenues. In FY2011 and FY2012 these fees were classified as foreign exchange gains and losses. Accordingly, the FY2011 and FY2012 profit and loss numbers have been re-classified. This reclassification has no impact on EBIT for FY2010, FY2011, FY2012, HY2013 or FY2013.

<sup>4</sup> The Forecast Financial Information is based on assumptions as described in Section 4.3. Forecast FY2013 EBITDA includes the financial effect of transaction costs associated with the Offer. It is estimated that the one-off non capitalised transactions costs associated with the Offer will be \$348,000.

<sup>5</sup> The Net Revenue growth and EBIT growth percentages reflected in HY2013 have been calculated using comparable unaudited data for the half year to 30 Jun 2012 (six months).

# 4.3

## KEY BEST ESTIMATE ASSUMPTIONS USED IN THE PREPARATION OF THE FORECAST FINANCIAL INFORMATION

The financial forecasts for FY2013 reflect an assessment based on present circumstances of what the Directors regard as the most likely set of operating and economic conditions and Freelancer's most likely business outcomes. The Forecast Financial Information is based on various assumptions relating to future events and/or actions which the Directors, as at the date that the Forecast Financial Information were prepared, expect to take place. These events and/or actions may or may not take place. Accordingly, no guarantee or assurance is given that the Forecast Financial Information will be achieved and it is likely that the Company's actual performance will not exactly match those forecasts.

The industry in which the Company operates is volatile and opportunities and threats regularly arise which are difficult to anticipate or quantify. The Company intends to be opportunistic and to capitalise on attractive opportunities as and when they arise. The Company will also have to contend with threats as and when they arise. This may result in costs being incurred which are not included in the Forecast Financial Information.

The following Key Best Estimate Assumptions have been used in the preparation of the Forecast Financial Information. These assumptions should be read in conjunction with the risks outlined in Section 5, the Investigating Accountants Report on Historical and Forecast Financial Information in Section 8, and the Sensitivity Analysis at Section 4.7 of this Prospectus.

### 4.3.1 General Assumptions

The following general assumptions have been made in preparing the Forecast Financial Information:

- the issue of Offer Shares outlined in this Prospectus is fully subscribed and proceeds have been received by the close of the Offer;
- there are no other issues of securities during the forecast period;
- other than the purchase of domain names in accordance with the Domain Name Licence Agreement as described in Section 9.8.7, no future acquisitions or disposals of businesses or assets are included in the forecasts;
- there are no changes in the statutory, legal or regulatory requirements in the markets in which Freelancer operates that would have a material effect on Freelancer's operating results;
- there are no material beneficial or adverse effects arising from changes in industrial, political or economic conditions in the markets in which Freelancer operates;
- the material contracts to which Freelancer is a party remain in force and are not terminated, rescinded or varied in a manner which would have a material impact on Freelancer;
- there are no material beneficial or adverse effects from changes in technology or the actions of competitors;
- there will be no significant turnover of key executives during the forecast period;
- there will be no material movement in the Australian dollar relative to the currencies of countries in which Freelancer carries on business;
- there will be no changes in current tax legislation in the relevant operating jurisdictions, in particular the current corporate, goods and services and withholding tax rates;
- the Company's accounting policies remain consistent during the forecast period. It is also assumed that there will be no changes in applicable accounting standards or the Corporations Act that will have a material effect on the reporting of the Company's results, cash flows or financial position;
- the Company is not and will not be a party to any material litigation; and
- the business model operated by Freelancer will remain substantially unchanged during the forecast period and the Freelancer system will not incur any business risks to an abnormal level.

## 4.3.2 Specific Assumptions

The Forecast Financial Information of Freelancer for FY2013 is based on:

- the special purpose financial reports for FY2012, which were subject to an audit engagement;
- the actual financial performance for HY2013, which has received an unmodified review conclusion;
- the Company's unaudited management accounts for the eight months to 31 August 2013; and
- anticipated events to the end of FY2013,

as detailed below.

### Net Revenue

The principal activity of Freelancer is the provision of an online outsourcing marketplace. Freelancer earns revenues predominantly from transaction and other fees generated in its online outsourcing marketplace.

Forecast net revenue for the six months to 31 December 2013 implies a growth rate of approximately 17% on the net revenue achieved in HY2013, predominantly driven by continued optimisation of Freelancer's various websites and increased market penetration. Seasonality factors have also been taken into account.

The IPO is not expected to have any material impact on the net revenues of the Company in FY2013.

### Cost of Revenues

Cost of revenues are predominantly comprised of direct transaction and other fees relating to user access and processing on Freelancer's online outsourcing marketplace.

Subject to the Company's revenue mix which varies from time to time, forecast gross margin for the six months to 31 December 2013 is expected to remain in line with gross margins achieved in HY2013 and prior comparable periods.

### FX gains / (losses)

As Freelancer conducts its business in 18 currencies, fluctuations in prevailing exchange rates can affect the Company's profitability and financial position.

The Forecast Financial Information has been based on there being no material deviation in prevailing exchange rates during the forecast period to and as at 31 December 2013.

## Operating Expenses

Freelancer's normal business operations in FY2013 are not expected to substantially differ from its current operations, with the exception of an anticipated increase in costs to be incurred for the purpose of strengthening its businesses infrastructure and customer support functions. As such, forecast operating expenses have been based on and extrapolated from historical operating expenses from FY2012 and HY2013, as either fixed amounts or as a percentage of revenues.

Operating expenses in FY2013 that are anticipated to vary significantly from FY2012 include:

- employment and related costs are forecast to increase by approximately 79% from FY2012 due to an increase in headcount and the recruitment of additional senior management to manage the anticipated growth in the business. Total headcount is forecast to increase from 220 full time equivalent staff at 31 December 2012 to 296 full time equivalent staff at 31 December 2013;
- hosting fees are forecast to increase by approximately 107% from FY2012 due to increased volume and the procurement of additional backup infrastructure;
- property costs are forecast to increase by approximately 64% from FY2012 due to additional office space leases entered into to accommodate the anticipated increased headcount; and
- additional corporate costs are anticipated from the proposed listing date in November 2013, comprising Directors fees, Company Secretary fees and costs associated with operating a publicly listed company.

## Capital Expenditures

Capital expenditure comprises expenditure on software, hardware, office furniture and leasehold improvements. Forecast capital expenditure spend for FY2013 is \$430,000 compared to a capital expenditure spend of \$279,723 in FY2012.

# 4.4

## STATEMENTS OF CASH FLOW

Set out in the table below are the summarised historical consolidated statements of cash flow for Freelancer for FY2010, FY2011, FY2012 and HY2013. This information should be read in conjunction with the information provided elsewhere in this Prospectus.

A\$'000 (thousand)	Pro-forma Actual FY2010 <sup>1</sup>	Pro-forma Actual FY2011 <sup>1</sup>	Statutory Actual FY2012	Statutory Actual HY2013
<b>EBIT</b>	<b>864</b>	<b>(619)</b>	<b>677</b>	<b>538</b>
Depreciation	15	50	94	73
Purchase of intangible assets	(1,064)	(2)	(28)	-
Purchase of tangible assets	(130)	(149)	(280)	(237)
Acquisitions	-	-	(3,061)	-
Cash acquired from acquisitions	-	-	7,154	-
Movements in working capital	598	2,245	270	1,541
<b>Cash flow before financing and tax</b>	<b>283</b>	<b>1,525</b>	<b>4,826</b>	<b>1,914</b>
Net increase/(decrease) in borrowings	(845)	12	-	-
Borrowing costs	(155)	(13)	(1)	-
Taxation paid	(19)	(299)	(43)	(61)
<b>Net Cash Flow</b>	<b>(735)</b>	<b>1,225</b>	<b>4,782</b>	<b>1,854</b>

**Notes:**

<sup>1</sup> The basis for the pro-forma adjustments is described in Section 4.1.3. There is no material difference between statutory and pro-forma net cash flows.



# 4.5 HISTORICAL AND PRO-FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

A\$'000 (thousand)	Statutory Actual 31/12/2012 <sup>1</sup>	Statutory Actual 30/06/2013 <sup>2</sup>	Pro-forma Adjustments <sup>3</sup>	Pro-forma Actual 30/06/2013 <sup>4</sup>
<b>Current assets</b>				
Cash and cash equivalents	9,660	11,514	12,827	24,341
Trade and other receivables	1,178	1,883	-	1,883
Other current assets	165	265	-	265
<b>Total current assets</b>	<b>11,003</b>	<b>13,662</b>	<b>12,827</b>	<b>26,489</b>
<b>Non-current assets</b>				
Plant and equipment	428	593	-	593
Intangibles <sup>5</sup>	7,485	7,485	1,344	8,830
Deferred tax assets	329	605	-	604
ESP Loans	-	-	3,000	3,000
Total non-current assets	8,243	8,683	4,344	13,027
<b>Total assets</b>	<b>19,246</b>	<b>22,345</b>	<b>17,171</b>	<b>39,516</b>
<b>Current liabilities</b>				
Trade and other payables	15,871	18,010	-	18,010
Provisions	277	504	-	504
Current tax liabilities	(160)	271	-	271
<b>Total current liabilities</b>	<b>15,989</b>	<b>18,785</b>	<b>-</b>	<b>18,785</b>
<b>Non-current liabilities</b>				
Deferred tax liabilities	54	-	-	-
Total non-current liabilities	54	-	-	-
<b>Total liabilities</b>	<b>16,043</b>	<b>18,785</b>	<b>-</b>	<b>18,785</b>
<b>Net assets</b>	<b>3,203</b>	<b>3,560</b>	<b>17,171</b>	<b>20,731</b>
<b>Equity</b>				
Issued capital	2,925	2,925	17,519	20,443
Reserves	-	(120)	-	(120)
Retained earnings	278	755	(348)	407
<b>Total Equity</b>	<b>3,203</b>	<b>3,560</b>	<b>17,171</b>	<b>20,731</b>

## Notes:

<sup>1</sup> Column 1 represents the consolidated statement of financial position of Freelancer as at 31 December 2012.

<sup>2</sup> Column 2 represents the consolidated statement of financial position of Freelancer as at 30 June 2013.

<sup>3</sup> Column 3 represents the pro-forma adjustments required to reflect the conduct of the Offer as described in Section 4.5.1.

<sup>4</sup> Column 4 represents the Pro-forma Consolidated Statement of Financial Position of Freelancer after the conduct of the Offer and related transactions disclosed in the Prospectus.

<sup>5</sup> Intangible assets as at 31 December 2012 and 30 June 2013 comprise domain names with a finite life totalling \$1.42 million and goodwill with an indefinite life totalling \$6.06 million. The pro-forma adjustment to intangible assets relates to the purchase of domain names with an expected finite life totalling \$1.34 million.

Set out in the table above are the historical consolidated statements of financial position for Freelancer as at 31 December 2012 and at 30 June 2013, the Pro-Forma Consolidated Statement of Financial Position assuming completion of the Offer and related transactions disclosed in the Prospectus and the pro-forma adjustments that have been made to the historical consolidated statement of financial position of Freelancer as at 30 June 2013 to prepare the Pro-forma Consolidated Statement of Financial Position. The pro-forma adjustments reflect the impact of the operating and capital structure that will be in place immediately following completion of the Offer and related transactions disclosed in the Prospectus as if they had occurred or were in place as at 30 June 2013. This information should be read in conjunction with the information provided elsewhere in this Prospectus. The financial information presented above has been prepared on the assumption the Offer is fully subscribed.

### 4.5.1 Pro-forma adjustments to the Consolidated Statement of Financial Position

The pro-forma adjustments made to the consolidated statement of financial position of Freelancer as at 30 June 2013 (being the most recently reviewed statement of financial position date) reflect the following events and assumptions:

- issued capital has been adjusted by \$15,000,000 to reflect the gross proceeds from the General Offer;
- Offer costs are estimated at \$829,000. Issued capital has been adjusted by \$481,000, which is the capitalised amount of these costs, and retained earnings has been adjusted by \$348,000 to reflect the non capitalised transaction costs;
- at completion of the Offer, assuming the Employee Offer is fully subscribed, a total of 6 million ESP Shares will have been issued at the Offer Price under the ESP as described in Sections 6.3.4 and 9.7. Issued capital has been adjusted by \$3,000,000 to reflect the issue of 6 million ESP Shares and a corresponding non-current receivable has been recognised in relation to the corresponding ESP Loans; and
- intangibles have been adjusted by \$1,344,000 to reflect the anticipated purchase of domain names in accordance with the Domain Name Licence Agreement as described in Section 9.8.7.

### 4.5.2 Commentary on major items included in Consolidated Statement of Financial Position as at 30 June 2013

The key items included in the consolidated statement of financial position as at 30 June 2013 are:

- Receivables due on ordinary commercial terms and substantially relate to funds receivable from various credit card payment processors.
- Intangible assets comprise the purchase of domain names amounting to \$1.42 million and \$6.06 million goodwill arising on the acquisition of a number of smaller competitive marketplaces.
- Payables include ordinary trade payables, expense accruals, GST and amounts owing to users of the site. User obligations represent amounts prepaid by users to be applied against payments for services provided by either Freelancer or to other users of the site. Although all user obligations are for accounting purposes reflected as current liabilities in the financial statements, a significant amount of these obligations have from time to time been inactive for periods in excess of 12 months and therefore may not all be called upon within 12 months.
- Freelancer does not currently have, and will not on completion of the Offer have, any financing arrangements (other than the ESP Loans) or financial indebtedness.
- Provisions comprise employee entitlements and other general provisions relating to user disputes.

### 4.5.3 Asset Backing

Based on the Pro-forma Consolidated Statement of Financial Position in Section 4.5, Freelancer's pro-forma net tangible asset backing per Share will be 2.73 cents on completion of the Issue and related transactions as disclosed in this Prospectus.

# 4.6

## REVIEW OF SIGNIFICANT ACCOUNTING POLICIES AND MATERIAL ACCOUNTING MATTERS

Set out below are a number of significant accounting policies and other material accounting matters that have been used in the preparation of the Financial Information in Sections 4.2, 4.4 and 4.5.

### 4.6.1 Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Freelancer and the results of all subsidiaries for each applicable year then ended.

Subsidiaries are all entities over which Freelancer has the power to govern the financial and operating policies of those subsidiaries. Subsidiaries are fully consolidated from the date on which control is transferred to Freelancer. They are de-consolidated from the date that control ceases. The acquisition method of accounting is used to account for business combinations made by Freelancer.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by Freelancer.

Investments in subsidiaries are accounted for at cost in the individual financial statements of the investing entity.

### 4.6.2 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

Freelancer is the parent company of the following entities:

Entity	Country of Incorporation
Freelancer International Pty Ltd	Australia
Freelancer Technology Pty Ltd	Australia
Freelancer India Pty Ltd	Australia
Freelancer Pakistan Pty Ltd	Australia
Freelancer Bangladesh Pty Ltd	Australia
Payments Pty Ltd	Australia
Freelancer Networks (Canada) Inc.	Canada
Freelancer Outsourcing Inc.	Canada
Freelancer.com Pte Limited	Singapore
Freelancer Belize Limited	Belize
Freelancer International GmbH	Switzerland
Freemarket (Switzerland) GmbH	Switzerland
Freelancer Online India Private Limited	India
Freelancer.com Philippines, Inc.	Philippines
Freelancer Outsourcing UK Limited	United Kingdom

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 comprehensive income.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

### 4.6.3 Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit and loss is the tax payable on taxable income. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses. Current and deferred income tax expense (income) is charged (credited) directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability where there is no effect on accounting taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax assets can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

### 4.6.4 Plant and Equipment

Plant and equipment are measured on a cost basis. 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.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

### 4.6.5 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.

## 4.6.6 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.

## 4.6.7 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.

## 4.6.8 Revenue and Other Income

The Company's net revenues result from transaction and other fees generated in its online outsourcing 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.

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).

## 4.6.9 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 Tax Office. 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 in the Statement of Financial Position are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST components of investing and financing activities, which are disclosed as operating cash flows.

## 4.6.10 Foreign Currency Transactions and Balances

### Functional and presentation currency

The functional currency of each group entity 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 Company's functional and presentation currency.

### 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 year or other period end exchange rates prevailing at that reporting date.
- Income and expenses are translated at average exchange rates for the year.
- Retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the profit or loss in the period in which the operation is disposed.

## 4.6.11 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.

### 1. 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.

### 2. 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.

### 3. 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 profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to 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.



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## **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 profit or loss.

### **4.6.12** **Impairment of Assets**

At 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.

### **4.6.13** **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.



# 4.7

## SENSITIVITY ANALYSIS

The analysis below provides some information in relation to the potential impact on the Forecast Financial Information that may arise from a range of different events and activities. The sensitivities examined below are only a subset of the potential factors which could influence profitability and the Directors in no way imply that it is a comprehensive analysis.

The Forecast Financial Information detailed above has been prepared with reference to a number of estimates and assumptions, including the General and Specific Assumptions set out in Section 4.3. Both the Forecast Financial Information and the Key Best Estimate Assumptions are by their very nature subject to significant inherent business, economic and political uncertainties and risks. Many of these are outside of the control of the Directors and are not predictable. Therefore, actual financial results may vary from those forecast and variations may be materially positive or negative. The following table demonstrates the potential impact on profitability that may arise from variations to the Key Best Estimate Assumptions (either positive or negative):

Key Assumption Category	Type of variation	Potential impact on FY2013 EBIT \$000s
Revenue growth	1% more / (less)	Increases / (reduces) by \$56
Operating expenses	1% more / (less)	(Increases) / reduces by \$67
AUD / USD exchange rate	1% more / (less)	Increases / (reduces) by \$4

In the event that one or more downside sensitivities were to occur, there are a number of actions which Freelancer could take to mitigate the impact on EBIT. These have not been reflected in the sensitivities above.

The following table demonstrates the potential impact on revenue that may arise from variations to the Key Best Estimate Assumptions (either positive or negative):

Key Assumption Category	Type of variation	Potential impact on FY2013 Net Revenue \$000s
AUD / USD exchange rate	1% more / (less)	Reduces / (increases) by \$61

Care should be taken when interpreting this information as it deals with each type of variation in isolation from potential variations in any of the other key categories. Circumstances that give rise to any particular variation may or may not result in variations elsewhere. It is also possible that multiple sets of circumstances could give rise to movements in more than one category and these movements may have cumulative or off-setting effects on profitability.

# 4.8

## DIVIDEND POLICY

Freelancer has forecast no dividend payment for the Forecast Period. The Directors cannot and do not give any assurances as to the extent, timing, level of franking or payment of any dividends in any future period as all of the foregoing are dependent upon a number of factors including the level of future earnings, the amount of tax paid, the financial position of the Company, future operating conditions and future cash requirements to fund growth.

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# 5.0

## RISK FACTORS



## Daniel G. Pratidya

Specialist in Visual Basic Programming  
and Excel Automation

“Can you imagine making  
lots of money while also  
able to travel to beautiful  
places like this? I can!”

“Free to choose the jobs we want to work on. Free to work any  
place we desire. Free to start anytime as agreed. I am Daniel from  
Indonesia and proud to be a Freelancer. Can you imagine making  
lots of money while also able to travel to beautiful places like this?  
I can!”



5.0/5.0 rating, 137 reviews,  
Member since September 2011

📍 Cikarang, Indonesia





# 5.1

## INTRODUCTION

Freelancer's activities are subject to risks and there are many factors which may impact on its future performance, including its ability to achieve the financial forecasts which are set out in Section 4.2. Some of these risks can be mitigated by the use of safeguards and appropriate systems and controls, but many are outside the control of the Company and cannot be mitigated. There are also general risks associated with any investment. Potential investors should read the Prospectus in its entirety before deciding whether or not to submit an Application for Offer Shares.

This Section describes some of the key risks associated with the Company. These risks have been separated into:

- Freelancer Outsourcing Marketplace Risks (described in Section 5.2);
- Online Services Risks (described in Section 5.3);
- Risks Associated With Providers (described in Section 5.4);
- Risks Associated With The Regulatory Environment (described in Section 5.5);
- Other Risks (described in Section 5.6)

- Search Engine Traffic - Search engines, such as Google, direct significant traffic to the Freelancer websites. Should these search engines make changes to their algorithms and procedures that direct this traffic, Freelancer could see a substantial drop in new users and interaction with existing users. For example, Google regularly updates the algorithms that determine the ranking of results it returns for any given search term. Freelancer attempts to follow Google's guidelines and online best practice to maintain the flow of traffic to its websites, but such changes could adversely affect its traffic.

A decline in traffic to Freelancer's websites could lead to a decline in Freelancer's ability to attract and retain users, which could in turn lead to a decline in services being provided. This could adversely affect Freelancer's revenues and its ability to continue to grow.

## 5.2

### FREELANCER OUTSOURCING MARKETPLACE RISKS

#### 5.2.1

##### Attracting Traffic to Websites

Freelancer's revenues depend upon attracting sufficient web traffic to its websites. The level of web traffic to these websites directly influences the number of new users, the number of new services offered and other factors that affect the amount of fees able to be levied. Various factors can affect the web traffic arriving at the Company's websites including:

- Marketing and Promotions - if our marketing and promotion efforts are not effective this will manifest itself as a lack of web traffic.
- Brand Damage - should the Company suffer from reputational damage, web traffic could be affected.

#### 5.2.2

##### Risks Associated with User Generated Content

Users of the services may generate content and accordingly Freelancer's marketplace has significant quantities of such content displayed throughout the Company's websites.

Freelancer cannot monitor all the user generated content, and does not attempt to do so. Freelancer has reporting mechanisms in place for reporting objectionable material from external parties and from users, which it attempts to promptly deal with as appropriate.

Freelancer, by virtue of its association with user generated content, may be implicated in an objectionable or illegal activity that subsequently exposes it to a law enforcement activity, or a civil dispute, with consequent liabilities and possible disruption to the Company's operations. This could adversely affect Freelancer's revenues and assets.

Additionally, reputational risk associated with offensive, objectionable or illegal activity arising from user generated content may lead to a decline in the Company's ability to attract and retain users. Such a decline could also negatively impact upon Freelancer's revenues.

### 5.2.3 Credit Card Fraud Risk

Freelancer is at risk of fraud from its users. For example, users may deposit funds using a stolen credit card and then try to withdraw those funds. Although the Company has sophisticated anti-fraud strategies, it is not possible to eliminate all such fraud, particularly as perpetrators actively change methodologies to counter such strategies. Where a stolen credit card has been used, the Company may be liable for chargebacks and chargeback fees imposed by Payment Gateways. Further, if the number of chargebacks in a given period is considered excessively high, credit card companies may levy fines or even exclude Freelancer from participation in their networks.

### 5.2.4 User Fraud Risk

Typically a buyer pays a seller after delivery of part or all of a service. Buyers may be at risk of fraud if a seller receives upfront payment and then fails to deliver the agreed service. Sellers may be at risk of fraud if a buyer fails to pay.

This could lead to users becoming dissatisfied with the Company's services and potentially to reputational damage, which could affect retention and acquisition of users.

If the Company is unable to retain and acquire sufficient levels of new users, this could impact negatively on its ability to execute its growth strategies.

### 5.2.5 Marketplace Liquidity Risk

The Company has a significant number of users who help facilitate the marketplace by actively bidding for projects and other offerings as they are posted.

Events such as security breaches, failures in computer networks, natural disasters, military or political interventions and changes in the regulatory environment in countries where Freelancer has a significant user base could lead to a decline in the number of active users.

A decline in the Company's ability to maintain, or grow, a sufficient active user base could lead to a reduction in the volume and timeliness of responses to requested services, which could adversely impact upon Freelancer's level of service and revenue.

### 5.2.6 Disintermediation and Fee Avoidance

Freelancer makes a significant proportion of its fees from commissions charged when users agree on delivery of a service at a specific price. The Company attempts to ensure that users pay commissions on all work being performed, and actively puts in place policies to support this and reward users who are actively paying commissions. For example, users have a reputation score within the site which is weighted by (amongst other things) the dollar value of the projects they've posted, where higher reputation users tend to get awarded more work. This higher reputation means that users have an incentive to pay fees.

However, should the users involved attempt to artificially lower the amount paid for a project, or pursue follow on work and payments off the site Freelancer may not be paid commissions on this work.

An artificial decline in the value of work done on a project, or a decline in the amount of follow on work done through the Company's websites would negatively impact Freelancer's revenues.

### 5.2.7 Marketplace Fee Risks

Freelancer charges fees upon the provision of its services to users. For example, the Company charges fees when it makes introductions between users posting projects and users bidding to perform services.

The Company may need to reduce the level of its fees, for example as a result of competitive pressure or as a strategy to grow market share. A reduction in fees could lead to lower revenues overall or to slowing in the rate at which Freelancer's revenues grow.

Also some fees are based on the value of the project. If the average value of projects declines, the Company could earn less revenue per project. If this occurred without a concurrent increase in the number of projects sufficient to offset the loss in per project revenue, this could lead to a decline in total revenue.

### 5.2.8 Customer Service Risk

Users may need to engage with Freelancer's customer service personnel in certain circumstances, such as if they have a question about the services, or if there is a dispute between users or between a user and the Company. The Company needs to recruit and retain staff with interpersonal skills sufficient to respond appropriately to customer service requests. Poor customer service experiences may result if the Company loses key

customer service personnel, fails to provide adequate training and resources for customer service personnel, or if the computer systems relied upon by customer service personnel are disrupted by technological failures or natural disasters. For example, the majority of the Company's customer service personnel are located in Manila, which is subject to typhoons.

This could lead to adverse publicity, litigation, regulatory enquiries and declines in users continuing to use the Company's services, all of which may negatively impact upon the Company's revenues.

### 5.2.9 Special Reputational Risks

Freelancer operates in an online and fast-changing environment. Negative publicity can spread quickly, whether true or false. Disgruntled users posting negative comments about the Company in public forums may have a disproportionate effect on the Company's reputation and its ability to earn revenues and profits. Additionally, complaints by such users can lead to additional regulatory scrutiny and a consequential increased compliance burden in responding to regulatory enquiries. This could negatively impact upon the Company's profitability.

### 5.2.10 Seasonality

The online services market is somewhat seasonal in nature, with fewer projects being posted around important or widely followed holiday seasons, such as the Northern Hemisphere summer holidays.

This seasonality may result in lower use of the services in a particular quarter, which could lead to lower revenues.

### 5.2.11 Rate of Migration to Online Services

In recent years there has been strong growth in both the demand for outsourced services and in the supply of service providers to meet that demand. This growth has contributed to the growth in online services marketplaces, including that of Freelancer.

If there was a decline in the demand for outsourced services or in the supply of service providers, this could adversely affect the Company's revenue, profitability and ability to execute its growth strategies.

Freelancer endeavours to keep abreast with changes in types of traffic and patterns of online adoption. For example, a number of its websites are in languages other than English. However, the needs of its current or potential users may change rapidly. For example, if there is an increase in mobile usage of the Internet or significant uptake of a new Internet browser, the Company would

need to ensure that its websites continue to be accessible and easy to use on mobile devices or on that browser. If the Company fails to meet these changing demands, this could lead to a decline in user numbers and a consequent decline in revenue. This could adversely affect the growth of Freelancer.

## 5.3 ONLINE SERVICES RISKS

### 5.3.1 Data Loss, Theft or Corruption

Freelancer provides its services exclusively online through a range of websites. Hacking or exploitation of some unidentified vulnerability in its websites could lead to loss, theft or corruption of data.

This could render the websites unavailable for a period of time while data is restored. It could also lead to unauthorised disclosure of users' data, with associated reputational damage, claims by users and regulatory scrutiny and fines.

Although Freelancer has strategies and protections in place to try to minimise security breaches and to protect data, these strategies might not be successful. In that event, disruption to the websites and unauthorised disclosure of user data could negatively impact upon Freelancer's revenues and profitability.

### 5.3.2 Hacker Attacks

Freelancer relies upon the availability of its websites to provide services to users and to attract new users. Hackers could render the websites unavailable through a distributed denial of service attack or other disruptive attacks.

Although Freelancer has strategies in place to minimise such attacks, these strategies may not be successful. Unavailability of the websites could lead to a loss of revenue whilst Freelancer is unable to provide its services. Further, it could hinder Freelancer's ability to retain existing users, increase their activity on its websites and to attract new users, potentially having a material adverse impact upon Freelancer's growth.

### 5.3.3 Domain Name Risk

Freelancer provides its services through several websites, many of which are country and / or language-specific. Each of those websites have different domain names



which are registered with a domain name registrar appropriate to that region. For example, Freelancer.ca is registered through the Canadian Internet Registration Authority. Each domain name registrar maintains separate regulatory regimes and enforce different requirements. For example, the Canadian Internet Registration Authority requires registrants to be Canadian-based, which required the establishment of Freelancer Networks (Canada) Inc, a Canadian subsidiary.

Domain name registrants may change the requirements for continued registration or renewal at any time. Further, there may be regulatory or legislative changes in the countries where the domain name registrants are based which could affect Freelancer's ability to maintain control of these domains.

Should Freelancer lose control of any domain, it would lose all website traffic directed to that domain. This could lead to significant negative reduction in Freelancer's revenue, even if it were ultimately able to re-direct users to other domains still in its control.

## 5.4 RISKS ASSOCIATED WITH PROVIDERS

### 5.4.1 Payment Gateway Provider Disruption Risks

Two of the major ways in which users deposit funds are via credit card or through online payment processors such as PayPal. Freelancer does not process credit card payments itself, but uses Payment Gateway Providers which facilitate the acceptance of credit cards on its behalf.

Should its Payment Gateway Providers suffer outages, or if they ceased to offer their services to Freelancer, Freelancer's ability to accept credit card payments (and therefore to provide some services) could be significantly affected. Further, Freelancer's Payment Gateway Providers could be the subject of security breaches that result in the loss, theft or corruption of data, including credit card and other personal information of Freelancer users. This could lead to reputational damage for Freelancer.

Inability to accept payment by credit card, even if for a short period of time, could negatively impact upon Freelancer's revenues and its ability to grow the business.

### 5.4.2 Disruption to Banking Arrangements

Freelancer maintains accounts with banks and Payment Gateways in 18 currencies and in many jurisdictions throughout the world. Legislative or policy changes or increased regulatory scrutiny affecting those banks could cause the banks to impose requirements upon Freelancer that it cannot meet, or to cause the banks to withdraw their services from Freelancer.

Disruption to Freelancer's banking arrangements, and delays in making alternative arrangements, could have a material adverse impact upon its ability to maintain continuity of service. This could lead to loss of revenue and, if the disruption was prolonged, reputational damage, which could in turn hinder Freelancer's growth.

### 5.4.3 Hosting Provider Disruption Risks

Freelancer relies upon its primary hosting provider, Amazon Web Services (**AWS**), to maintain continuous operation of its websites.

Should AWS suffer outages, for example due to catastrophic destruction of infrastructure following a natural disaster, service to the Freelancer websites may also be disrupted. If AWS ceased to offer its services to Freelancer and Freelancer was unable to obtain a replacement hosting provider quickly, this could also lead to disruption of service to the Freelancer websites.

Unavailability of the websites could lead to a loss of revenue while Freelancer is unable to provide its services. Further, particularly in the case of prolonged outages, such disruptions could have a material adverse impact upon Freelancer's reputation. This could hinder Freelancer's ability to retain existing users, increase their activity on its websites and to attract new users, potentially having a material adverse impact upon Freelancer's growth.

### 5.4.4 Disruption to Internet Services

Freelancer's user community is spread throughout the world. It also has staff located in a number of countries, the two principal ones being Australia and the Philippines. Disruption to Internet services in countries where Freelancer's users or staff are based, for example as a result of technical outages or catastrophic destruction of infrastructure following natural disasters, could significantly impact upon use of Freelancer's websites and business continuity.

This could have a material adverse effect on Freelancer's ability to generate revenue while the disruptions remain

in place. Further, if the disruptions affected regions with a significant user population, such as India, and if the disruptions were prolonged, they could have a material adverse effect on Freelancer's ability to continue to grow its business.

## 5.5 Risks Associated with the Regulatory Environment

Freelancer's main operating entities are Australian-based and subject to Australian regulation. For example, Freelancer is required to comply with the Corporations Act 2001 and the Competition and Consumer Act 2010. Users, competitors, members of the general public or regulators could allege breaches of this legislation, for example, if they considered an advertisement to be misleading or deceptive. This could result in remedial action or litigation, which could potentially lead to Freelancer being required to pay compensation or a fine.

Freelancer's operations may become subject to regulatory requirements, such as licensing and reporting obligations, which would increase the costs and resources associated with its regulatory compliance. Any such increase in the costs and resources associated with regulatory compliance could impact upon Freelancer's profitability. In addition, if regulators took the view that Freelancer had failed to comply with regulatory requirements, this could lead to enforcement action resulting in public warnings, infringement notices or the imposition of a pecuniary penalty. This could lead to significant reputational damage to Freelancer and consequent impact upon its revenue.

Freelancer offers its services throughout the world, and has users of those services in most countries and jurisdictions of the world. Regulatory changes could see Freelancer required to hold a licence in some of these jurisdictions, or otherwise comply with local regulations. This could preclude the Company from offering certain services to these jurisdictions until such a licence was obtained, or require the Company to comply with a range of regulatory environments. Any such increase in the costs and resources associated with regulatory compliance in these jurisdictions could impact upon Freelancer's profitability.

## 5.6 OTHER RISKS

### 5.6.1 Unsolicited Offers

Freelancer operates in the technology industry which has seen significant growth and deal activity over recent years. Consistent with the industry's dynamics, Freelancer

has received a number of unsolicited proposals from companies wishing to invest in, or to acquire, Freelancer or its business.

These proposals have implied a range of values for Freelancer, both higher and lower than the value implied by the Offer Price. The Board has assessed each of these proposals and has determined that none of them is in the best interests of Freelancer or its shareholders and accordingly Freelancer is not pursuing any of them.

Investors should note that proposals received by Freelancer have been made in the form of confidential, indicative, non-binding expressions of interest that were highly conditional. Accordingly there can be no certainty that any of them would have resulted in a transaction had Freelancer determined to pursue them. Further, the receipt of these proposals in the past does not mean that Freelancer will receive any further proposals in the future.

### 5.6.2 Reliance on Key Personnel

Freelancer operates in a very specific market segment, with significant scale in the size of its website operations, and with a considerable focus on website data analytics, a new and rapidly evolving area of expertise. As a result, key executives and employees have very specific, and often rare, skillsets in areas of great importance to the Company.

Freelancer may not be able to attract and retain these key staff or be able to find effective replacements if needed in a timely manner.

The loss of services of one or more of these people, or a delay in their replacement, may have an adverse effect on the Company's business, operating results and financial condition.

### 5.6.3 The Directors Retain a Significant Stake

Following the completion of the Offer, the Directors will retain approximately 87%<sup>1</sup> of the issued capital of the Company (excluding any Shares acquired by the Directors under the General Offer). The Directors will be in a position to exert significant influence over matters relating to the Company, including the election of Directors, or the approval of a transaction involving the Company.

Any significant sale of Shares, or the perception of a sale of Shares, by the Directors might have adverse effects on the prices of the Shares.

#### Notes:

<sup>1</sup> Based on 436 million Shares outstanding, assuming the Employee Offer is fully subscribed.

## 5.6.4 Liquidity and Realisation Risk

There can be no guarantee that an active market in the Shares will develop or that the price of the Shares will increase. With the Directors retaining 87.4%<sup>1</sup> of the Shares after completion of the Offer (excluding any Shares acquired by the Directors under the Offer), these Shares being subject to escrow and trading restrictions, and with a further 1.2%<sup>1</sup> of the Shares after completion of the Offer being Employee Offer Shares that are restricted from trading before they vest, only 11.5%<sup>1</sup> of the Shares will be able to be freely traded at completion of the Offer. With this limited free float, there may be relatively few potential buyers or sellers at any given time and this may increase the volatility of the market price of the Shares.

Further, there is a risk that once the Shares subject to escrow or trading restrictions are released from the restrictions attaching to them, there may be a significant sell-down by the holders of those Shares. In the context of the limited free float and potential volatility mentioned above, this may affect the prevailing market price at which Shareholders are able to sell their Shares. This may result in Shareholders receiving a market price for their Shares that is less than the price that Shareholders paid to acquire their Shares.

## 5.6.5 Need to Attract and Retain Skilled Staff

The Company's future success will in part depend on its ability to hire and train suitable staff. Competition for such personnel is intense and there can be no assurance that Freelancer will be successful in attracting and retaining such personnel.

A failure to do so may have an adverse effect on the operations and profitability of the Company's business.

## 5.6.6 Exchange Rates

Freelancer operates internationally and in 18 currencies. Accordingly, fluctuations in prevailing exchange rates affect the Company's profitability and financial position. For example, Freelancer pays its website hosting costs in US Dollars. If the Australian Dollar falls relative to the US Dollar, those costs increase in Australian Dollar terms, potentially reducing Freelancer's profitability.

Currently, most of the Company's revenues are in US dollars and most of its costs are in Australian Dollars and Philippines Pesos. However, the mix of currencies in which Freelancer pays its costs and earns its revenues is

changing over time. As that mix changes, there may be a greater impact on profitability in Australian Dollar terms.

Freelancer's financial statements are prepared and presented in Australian Dollars, and any appreciation in the Australian Dollar against other currencies in which Freelancer transacts may adversely impact its financial performance and position. You should reference Section 4.7 (Sensitivity Analysis) for more detail.

## 5.6.7 Competition

The outsourcing services marketplace space has been rapidly evolving, with both new entrants and established marketplaces operating in specific areas of expertise (for example, graphic design), hire per hour services, and fixed price services, as well as through broad based marketplaces such as Freelancer.

Freelancer faces competition from such organisations, some of which may have greater financial, technical and marketing resources. Increased competition could result in margin reductions, under-utilisation of employees, reduced operating margins and loss of market share. Any of these occurrences could adversely affect the Company's business, operating results and financial condition.

## 5.6.8 Global Nature

Freelancer has users in, and provides services to people in, almost every jurisdiction of the world. The Company therefore facilitates employment, and service provision, while also providing its own services into each of these jurisdictions. This broadens the scope of most general risks to the Company, as changes in regulation and legislation can affect the Company in ways that are hard to predict.

In some jurisdictions, government policies and procedures regulating online marketplaces may still be in their infancy, potentially resulting in local laws and practices that are time consuming and resource-intensive to comply with, or which are unclear. Required approvals may be difficult to obtain. Some of the jurisdictions in which Freelancer may operate in the future may experience sudden civil unrest or major political change.

Freelancer's operations may be adversely affected by the risks associated with operating in such jurisdictions, which may impact on its ability to grow the business in overseas markets.

More generally, Freelancer will have to adapt to local business and contract customs in jurisdictions, where it currently operates and where it plans to operate. This may

### Notes:

<sup>1</sup> Based on 436 million Shares outstanding, assuming the Employee Offer is fully subscribed.

result in Freelancer operating on less profitable terms than it has operated on historically, or ceasing to operate in such jurisdictions, which may adversely affect Freelancer's results of operations.

### 5.6.9 Management of Future Growth

The Company has experienced a period of rapid growth and increase in the number of its employees and officers and the scope of its supporting infrastructure. This growth has resulted in new and increased responsibilities for management and has placed, and will continue to place, a significant strain on the Company's management.

The Company will be required to continue to implement and improve its systems in a timely manner in order to accommodate the increased number of transactions and customers and the increased size of its operation. A failure to do so may adversely affect the Company's revenue and profitability.

### 5.6.10 Business Contracts Risks

There are a number of existing contracts which are material to the Company's business. See Section 9.8 for further details. Further contracts will likely be entered into by the Company which will also be material to the Company's business.

Many of these contracts are, or will be, governed by laws other than laws of Australia. There may be difficulties in enforcing contracts in jurisdictions other than Australia. Apart from the usual vicissitudes of litigation, there may be regulatory or practical considerations which frustrate the enforceability, or enforcement, of such contracts against foreign or foreign-owned counterparties. These matters may have a significant adverse effect on the Company's ability to enforce its contracts and may have a significant adverse effect more generally on the Company's business and profitability.

Apart from that, the business dealings of the Company are necessarily exposed to the potential of third party insolvency. If a third party with whom the Company has dealings becomes insolvent, this may also have a significant adverse effect on the Company and on its business and profitability. It should be noted that foreign insolvency laws are not necessarily similar to Australian insolvency laws.

### 5.6.11 Force Majeure Risk

Force majeure is a term generally used to refer to an event beyond the control of a party claiming that the event has occurred, including acts of God, fire, flood, earthquakes, war and strikes. The Company does not have insurance

for all force majeure risks, some of which are, in any event, uninsurable. To the extent that any such risks occur, there may be an adverse effect on the operations and profitability of the Company's business.

### 5.6.12 Potential Acquisitions

As part of its business strategy, the Company may make acquisitions of or significant investments in, complementary companies, services, technologies and/or products. Any such future transactions are accompanied by the risks commonly encountered in making acquisitions of companies, products and technologies, such as integrating cultures and systems of operation, relocation of operations, short term strain on working capital requirements and achieving the sales and margins anticipated and retaining key staff and customer and supplier relationships.

### 5.6.13 Further Funding Requirements

Although the Directors believe that, on completion of the Offer, the Company will have sufficient working capital to carry out its stated business objectives, there can be no assurance that such objectives can be met without further financing or, if further financing is necessary, that it can be obtained on favourable terms or at all. If additional funds are raised by issuing equity securities, this may result in dilution of some or all of the Existing Shareholders of Freelancer.

### 5.6.14 Long Term Investment

Investors are strongly advised to regard an investment in the Company as a long-term proposition and to be aware that, as with any equity investment, substantial fluctuations in the value of their investment may occur. The Company cannot guarantee its future earnings and cannot provide a guaranteed level of return to investors.





6.0

**KEY INTERESTS,  
PEOPLE AND  
BENEFITS**





## Nebojsa Todorovic

Copywriting, Academic, Article & Technical Writing. Legal Expert.

“Once a very successful, but quite unhappy corporate guy I discovered a whole new world on Freelancer.com.”

“Once a very successful, but quite unhappy corporate guy I discovered a whole new world on Freelancer.com. Instead of a white shirt and black tie I wear now a black T-shirt with white letters. I have found myself a place to call home. I live my dream and pay my bills with my written words. This is something I want my daughter to have - a true sense of freedom”



5.0/5.0 rating, 245 reviews,  
Member since April 2012

📍 Belgrade, Serbia



# 6.1

## BOARD OF DIRECTORS

The Board has a broad range of experience in the technology industry as well as commercial expertise. The following Section provides information regarding the Directors, including their ages and positions:

Director	Age	Position	Independence <sup>1</sup>
Matt Barrie <sup>2,3</sup>	40	Chief Executive Officer & Chairman	Non-independent
Simon Clausen <sup>2</sup>	37	Non-executive Director	Non-independent
Darren Williams <sup>3</sup>	39	Chief Technology Officer	Non-independent

<sup>1</sup>The Company considers that a Director is an independent Director where that Director is not a member of Freelancer's management and is free from any business or other relationship that could materially interfere, or be perceived to interfere with, the independent exercise of the Director's judgement. The Company has also assessed the independence of its Directors having regard to the requirements for independence, which are set out in Principle 2 of the ASX Corporate Governance Principles.

<sup>2</sup>Simon Clausen and Matt Barrie are not considered to be independent Directors as they are (and will on completion of the Offer remain) Substantial Shareholders of Freelancer.

<sup>3</sup>Matt Barrie and Darren Williams are not considered to be independent Directors as they are (and will on completion of the Offer remain) executives of Freelancer.





# 6.1.1

## DIRECTOR PROFILES

### Matt Barrie

Chief Executive Officer & Chairman

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

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Matt Barrie is well known in technology, having won numerous awards including being named the inaugural BRW Entrepreneur of the Year in 2011. Matt is a serial entrepreneur, previously as founder and CEO of Sensory Networks Inc., a vendor of high performance network security processors, which Intel Corporation (NASDAQ: INTC) announced in 2013 it was acquiring. Matt is also an Adjunct Associate Professor at the Department of Electrical and Information Engineering at the University of Sydney, where for the last 12 years he has taught Cryptography, and from 2010, Technology Entrepreneurship. He is the co-author of over 20 US patent applications.

Matt is a prolific speaker and has spoken at, or featured in; the Summit Series, the New York Times, Bloomberg TV, The Wall Street Journal, TechCrunch, The Atlantic, Switzer, BRW and The Economist. In 2012, he was selected out of a field of 600 presenters to be one of 21 featured speakers at South by Southwest in Austin, Texas (SXSW), which is one of the world's largest interactive, music, film and technology festivals.

In 2006, he was awarded the State Pearcey Award for contribution to the IT&T industry. In 2010, he was named Alumnus of the Year for the Faculty of Engineering and IT at the University of Sydney.

In 2011, SmartCompany named him in the 11 most influential Australians in IT. In 2011, he was named inaugural BRW Entrepreneur of the Year. He was also the winner of the technology category in the National Ernst & Young Entrepreneur of the Year awards for 2011.

In 2012, he was named in the top 100 most influential engineers by Engineers Australia, and a 2012 Man of Influence by Men's Style Magazine. In this year he also completed the Executive Program at Singularity University. In 2013, he was named in the top 10 Australian entrepreneurs to watch in 2013 by SmartCompany, the Blackberry Young Technology Entrepreneur of the Year by News Limited, a Silver Stevie in the International Business Awards for Executive of the Year in Internet/New Media, and again in the top 100 most influential engineers by Engineers Australia.

Matt has first class honours degrees in Electrical Engineering and Computer Science from the University of Sydney, a Masters in Applied Finance from Macquarie University, and a Masters in Electrical Engineering from Stanford, California. He is a graduate of the Stanford Executive Program at the Graduate School of Business. He is a Fellow of the Institute of Engineers Australia and Councillor of the Electrical and Information Engineering Foundation at the University of Sydney.

Matt is regularly invited to speak at the world's leading entrepreneurship, internet and business conferences/forums. He is also one of the worldwide LinkedIn Influencers, along with Richard Branson, Barack Obama and Deepak Chopra, where he writes on the topics of entrepreneurship and technology.

Matt is not an Independent Director, as he is (and will on completion of the Offer remain) an executive of Freelancer and a Substantial Shareholder of Freelancer. He is also a member of the Nomination & Remuneration Committee and the Audit Committee.





## Darren Williams

### Chief Technology Officer

BSc (Hons I) PhD (Computer Science) MAICD

Darren is Executive Director and Chief Technology Officer of Freelancer. In these roles, he is responsible for strategic leadership of the company's operating and technical direction.

Darren has experience in computer security, protocols, networking and software. Prior to joining Freelancer, Darren was a co-founder of Sensory Networks, a venture-backed network security hardware company, where he held the roles of Chief Technology Officer and subsequently Chief Executive Officer. Darren previously lectured in Computer Science at the University of Sydney in a variety of areas to postgraduates and undergraduates.

Darren has authored numerous articles, patents and papers relating to security technology, software and networking, and has spoken at a number of international conferences. Darren holds a first class honours degree in Computer Science and a Ph.D. in Computer Science specialising in computer networking from the University of Sydney.

Darren is not an Independent Director, as he is (and will on completion of the Offer remain) an Executive of Freelancer. He is also a member of the Nomination & Remuneration Committee and the Audit Committee.



## Simon Clausen

### Non-Executive Director

Simon is a founding investor of Freelancer. Simon has more than 17 years experience in high growth technology businesses in both Australia and the United States. His technical expertise includes proficiency in multiple software development languages, computer security and vulnerability analysis, and he is co-author and inventor of a number of technology patents.

Focusing on consumer-centric software and Internet-enabled technology he founded, and was CEO of WinGuides, which later became PC Tools. With Simon as CEO PC Tools grew to over \$100 million dollars in revenue, more than 250 employees and offices in 7 countries. PC Tools was acquired by Symantec Corporation (NASDAQ:SYMC) in October 2008 in one of Australia's largest ever technology acquisitions at the time. Following the acquisition Simon became a Vice President at Symantec, before leaving in 2009 and founding Startive Ventures, a specialised technology venture fund. Today, Startive actively maintains investments in a number of successful global start-ups and Simon acts as a Director and advisor to companies around the world.

Simon is not an Independent Director, as he is (and will on completion of the Offer remain) a Substantial Shareholder of Freelancer. He is also a member of the Nomination & Remuneration Committee and the Audit Committee.

# 6.2

## MANAGEMENT PROFILES

This Section provides information regarding management and other personnel.



### Neil Katz

#### Chief Financial Officer

B Com (Hons) ACA

Neil Katz is the Chief Financial Officer at Freelancer and is responsible for the finance and administration functions of the Company. Since joining Freelancer in May 2009, Neil has been an integral part of the management team and has been involved in establishing the financial disciplines and internal controls of the Group.

Neil has over 20 years experience in finance, accounting and general management. Neil has held CFO roles at a number of technology companies, including IPscape, Threatmetrix, Sensory Networks and Aprtix. Neil has experience and been involved in numerous private equity and venture capital raisings, obtaining multiple government grants, corporate restructuring and trade sale activities. In particular, Neil was involved in the sale of Aprtix to IBM. In these previous roles, Neil has provided financial guidance to assist in the growth and international expansion of these businesses. Neil has also provided consulting services to a number of smaller technology start-up companies in areas of commercialisation strategies and capital raising.

Prior to his roles within the technology sector, Neil held senior finance positions in distribution and retail sectors, including at Checkpoint Systems.

Neil holds a Bachelor of Commerce (Honours) degree in Financial Management obtained from the University of Cape Town, South Africa, and is a member of the Institute of Chartered Accountants in Australia.





## David Harrison

Vice President, Engineering

BCST

David Harrison is the Vice President of Engineering at Freelancer, and has been responsible for leading the engineering team in its design and implementation of the web-scale features that have allowed Freelancer's websites to handle the growth in web traffic that has been experienced. David has also led the Company's adoption of cloud based technologies, realtime systems, and service oriented architectures. He is also a co-author of a patent application.

Previously, David was the Chief Technical Officer at 3rdSense, a company specialising in casual gaming and online gaming networks. Prior to that, David was a partner in an IT security consultancy business providing auditing and secured infrastructure services. David has spoken on technology issues and entrepreneurship and has spoken at various events including CeBIT Cloud 2013, the AllWorld Summit@Harvard, Chicago Techweek, the Global Entrepreneurship Summit in Dubai, Digital Jam 2.0 with the World Bank (Kingston, Jamaica) and at the Sydney Vivid Festival. David has previously presented on cloud technology at Amazon Web Services summits and featured in publications such as TechWorld, The Australian, the Australian Financial Review MIS and on Sky News. David has also guest lectured at the University of Sydney, the University of Melbourne and Macquarie University on topics including software engineering, scalable infrastructure and IT management.

David holds a Bachelor of Computer Science and Technology from the University of Sydney.



## Willix Halim

Vice President, Growth

B Eng (Mechatronics) (Hons I) / B Computer Science

Willix Halim is the Vice President of Growth at Freelancer and manages the growth team, which is responsible for the strategy, product management, data science and analytics functions of the company. Willix manages a technical and multi-disciplinary team consisting of data scientists, engineers, mathematicians, statisticians, physicists and product managers.

Willix conducts speaking engagements internationally and has recently spoken at or featured in AdTech Marketing, SparxUp, Technasia, e27, Echelon Ignite, Tempo. co, Bloomberg Indonesia, Media Indonesia, Kompas and DailySocial. Willix also lectures at universities on topics such as growth, strategy, data warehousing and analytics.

Previously, Willix was a lead engineer at Honeywell Inc., a global provider of automation and control solutions. Prior to that, Willix was a commercialisation product manager at the CSIRO.

Willix grew up in Indonesia and graduated as valedictorian with first class honours degrees in Mechatronics Engineering and Computer Science from the University of Melbourne. Willix recently completed the Stanford Executive Program For Growing Companies at the Stanford Graduate School of Business.



## Greg Robinson

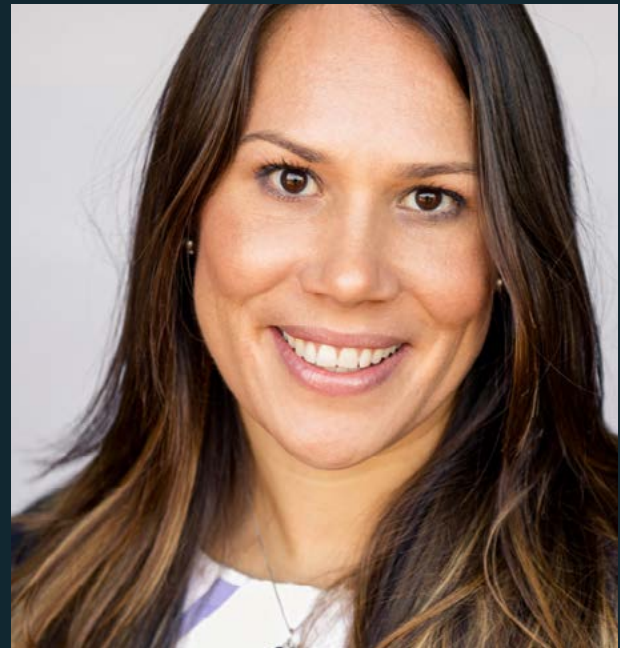
### Vice President, Compliance

ACI, SA Fin

Greg Robinson is the Vice President of Compliance at Freelancer. Greg oversees the overall compliance environment within the Company. In this role, Greg is responsible for the development and maintenance of the governance and compliance risk programs to support the business.

Before joining Freelancer, Greg worked for PayPal Australia as Head of Compliance Programs and was part of the initial executive team which launched PayPal into the Australian market in 2005. Greg worked for Colonial First State Investments Limited from 1998 to 2004, as Head of Compliance with responsibility for implementation and management of the compliance governance framework. Prior to that, Greg held senior positions with Perpetual Limited for more than 13 years.

Greg has relevant experience working as a compliance professional and has spent a large part of the past 10 years focusing on governance and compliance issues in the online environment. Greg is a Senior Associate of the Financial Services Institute of Australasia and an Associate of the Australasian Compliance Institute.



## Isla Hale

### Director, Legal

LLB (Hons)

Isla Hale is the Director of Legal, responsible for legal matters pertaining to the Company.

Prior to joining Freelancer Isla was Senior Legal Counsel at eBay Australia for 6 years, and has experience advising on legal issues connected to the online environment such as digital advertising and marketing, privacy, intellectual property, fraud prevention measures and commercial deals. Isla also spent 4 years with Zurich Financial Services in the UK and Australia, predominantly advising on commercial contracts, software licenses, outsourcing, intellectual property, privacy and employment law. Isla also has several years of experience in private practice with a focus on corporate law.

Isla holds a Bachelor of Laws (Honours) and a post graduate Diploma in Legal Practice, both from the University of Glasgow, Scotland.



## Brone Roze

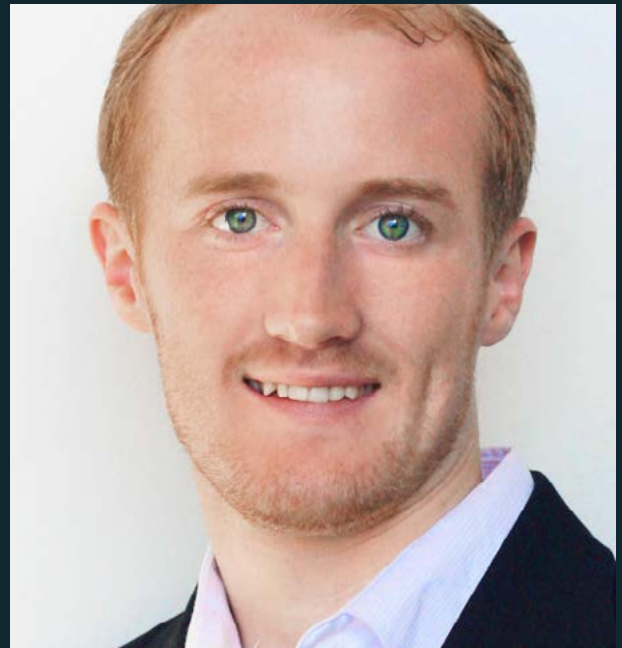
Director, Finance

B Com / LLB (Hons)

Brone Roze is the Director of Finance at Freelancer. His primary responsibility is to support the CFO and he is accountable for collating, preparing and interpreting reports, budgets, accounts, commentaries and financial statements. Brone will be instrumental in providing financial and strategic analysis of all potential M&A activities, risk assessments and business modelling for new products and services as well as undertaking financial analysis of long term business plans.

Brone joins Freelancer from KPMG Corporate Finance where he was Associate Director, Mergers & Acquisitions. Whilst at KPMG, Brone was responsible for the project management and coordination in the execution of a number of public market and private treaty transactions as well as strategic and corporate advisory engagements. Prior to working at KPMG, Brone held positions at both ABN AMRO Australia & New Zealand as well as Macquarie Group Limited.

Brone has previously had a public market transaction focus with both a relevant academic background and transaction experience. Brone has an established track record in providing strategic advice within the Australian legal and regulatory environment. Brone holds a double degree consisting of a Bachelor of Commerce majoring in Finance and a Bachelor of Laws for which he was awarded Second Class Honours from the University of New South Wales. Brone is currently undertaking a Master of Laws at the University of Sydney.



## Adam Byrnes

Director, International

BE (Electrical) (Hons I) / BSc (Adv) (Physics)

Adam Byrnes is responsible for expanding Freelancer across the world, particularly into markets that are dominated by non-english native speakers, such as Asia and Latin-America. He leads teams in public relations, content, marketing and translation, and has been responsible for launching Freelancer's websites internationally, including 40 dedicated regional sites and 31 languages.

Prior to joining Freelancer, Adam worked as a physics researcher at the University of Sydney in the field of photonics. During this time, he co-authored a number of academic papers in major physics journals and presented his work at the CLEO conference in California. Adam has also worked in information technology for Macquarie Group and Aalborg Industries.

Adam holds a first-class honours degree in Electrical Engineering and Advanced Physics from the University of Sydney, and studied abroad at the University of California, Santa Barbara.





## Nikki Parker

Regional Director, North America & Oceania

Bachelor of International Studies

Nikki Parker is responsible for marketing and communications across North America, Australia and New Zealand. Nikki leads a team of communications and marketing experts who work with business, partners and the media to grow Freelancer across these regions. Nikki is a company media spokesperson and represents Freelancer as a speaker at industry events globally.

Before joining Freelancer, Nikki worked as a media advisor and manager of stakeholder relations at the National Broadband Network (NBN Co), Australia's government owned national open access data network project, mandated to provide high speed broadband to 100% of the country through a mixture of fibre, fixed wireless and satellite technologies. During her time at NBN Co, Nikki worked with businesses across a diverse range of industries as well as local, state and federal government to capitalise on the rollout of the national network infrastructure project.

Nikki holds a degree in International Studies, majoring in Sociology, from the University of Sydney.



## Sebastián Siseles

Regional Director, Latin America

JD (University of Buenos Aires) / Marketing Diploma (FAECC, Argentina) / MBA (Candidate 2014, University of Pittsburgh)

Sebastián Siseles is in charge of the Company's operations across Latin America, leading a team of country managers, PR and communications professionals, driving the growth of Freelancer in this emerging market. An Argentine entrepreneur, lawyer and marketing professional, specialising in corporate finance and M&A, Sebastián possesses relevant management and interpersonal communication skills, and has taken post-graduate courses at the Buenos Aires Stock Exchange and the Southwestern University School of Law on International Business Transactions.

Sebastián is currently pursuing an EMBA at Katz Business School, University of Pittsburgh (expected 2014). Prior to joining Freelancer, Sebastián co-founded Weemba, an Internet financial website that connects commercial and individual borrowers with professional lenders in a non-traditional "social network" format. Sebastián has also served as President, Director, General Counsel, and COO in different Internet and non-technology companies, and is also a former advisor to the Argentine Ministry of Justice and Argentine National Senate regarding general corporations law, treasury and public budget issues.



## Bill Little

Regional Director, Europe

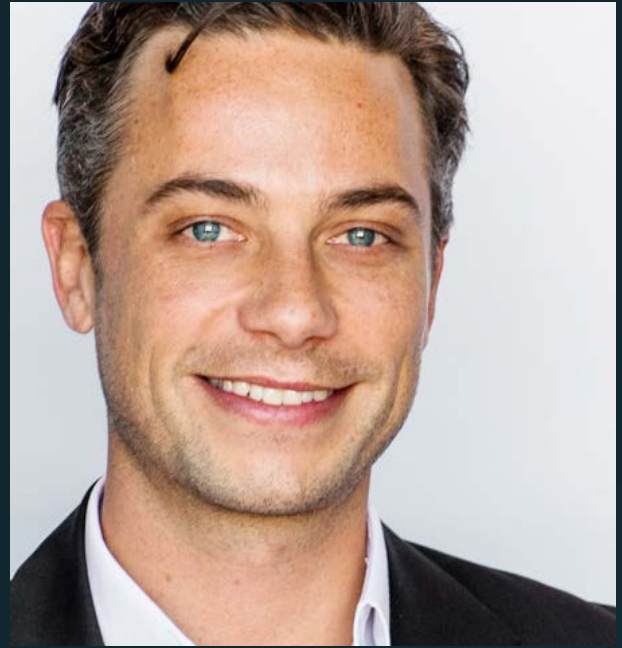
BA English Lit (Hons I)

Bill Little is in charge of the Company's operations across Europe, leading a team of country managers, PR and communications professionals, driving the growth of Freelancer across this market. Bill has previously been in charge of rolling out Freelancer sites to Germany, Italy, Spain, Portugal, Sweden, and Turkey.

Prior to Freelancer, Bill worked as a journalist for various media organisations, including the FT, the Sunday Times, Daily Telegraph as well as making documentaries for the BBC. He is also a published author. Bill has set up businesses and worked as a freelancer. Bill now also travels across Europe giving talks to help businesses get the most out of Freelancer.

Bill is Freelancer's primary European business expert at the centre of the technological advances that are influencing the business world today.

Bill holds a first class honours degree in English Literature from Hull University.



## Joe Griston

Director, People & Talent

BSc (Computer Science)

Joe Griston is the Director of People and Talent at Freelancer. He is responsible for attracting expertise into the organisation whilst establishing a culture that ensures both Freelancer and its employees thrive and prosper.

After starting his career as part of the first programming team for BAA in the United Kingdom, Joe then assisted in establishing Centre4 Testing, one of the world's premier software testing organisations providing specialist quality assurance resources and consultancy services into the UK and European markets. After enjoying 8 successful years in London he moved to Australia in early 2010 and has since been concentrating on delivering talent solutions across the Australian and Asia-Pacific market.

Joe holds a degree in Computer Science from Liverpool John Moores University.

# 6.3

## INTERESTS AND BENEFITS

This Section 6.3 sets out the nature and extent of the interests and fees of certain persons involved in the Offer.

**Other than as set out below or elsewhere in this Prospectus, no:**

- Director or proposed Director;
- person named in this Prospectus and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of Freelancer; or
- Underwriter to the Offer,

**holds at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:**

- the formation or promotion of Freelancer;
- property acquired or proposed to be acquired by Freelancer in connection with its formation or promotion, or in connection with the Offer; or
- the Offer,

and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given to any such person for services in connection with the formation or promotion of Freelancer or the Offer or to any Director or proposed Director to induce them to become, or qualify as, a Director.



## 6.3.1 Interests of Advisors

Freelancer has engaged the following professional advisors:

- KTM Capital Pty Limited has acted as Underwriter to the Offer. The terms of this Underwriting are set out in Section 9.8.1 of this Prospectus;
- Watson Mangioni Lawyers Pty Limited has acted as Australian legal adviser to Freelancer in relation to the Offer. Freelancer has paid, or agreed to pay, approximately \$100,000 (excluding disbursements and GST), for these services; and
- Hall Chadwick Corporate (NSW) Pty Limited has acted as the Investigating Accountant and has prepared the Investigating Accountant's Report. Freelancer has paid, or agreed to pay, approximately \$50,000 (excluding disbursements and GST) for these services.

These amounts, and other expenses of the Offer, will be paid out of funds raised under the General Offer or cash otherwise available to Freelancer. Further information on the use of proceeds and payment of expenses of the Offer is set out in Section 7.3.

## 6.3.2 Directors' Interests and Remuneration

### Executive Directors

Freelancer has entered into employment contracts with each of Matt Barrie and Darren Williams to govern their employment with Freelancer. Matt Barrie is employed in the position of Chief Executive Officer of Freelancer and Darren Williams is employed in the position of Chief Technology Officer of Freelancer. Refer to Section 6.3.3 for further details. No Director's fees are paid to Mr Matt Barrie or Mr Darren Williams in addition to their employment remuneration.

### Non-executive Director Remuneration

Under the Constitution, the Directors decide the total amount paid to each Director as remuneration for their services as a Director of Freelancer. However, under the Listing Rules, the total amount paid to all Directors for their services (excluding, for these purposes, the salary of any executive Director) must not exceed in aggregate in any financial year the amount fixed by Freelancer's Shareholders. This amount has been fixed by Freelancer (and approved by the Existing Shareholders at a general meeting of Freelancer) at \$300,000.

Annual Directors' fees currently agreed to be paid by Freelancer are \$25,000 to Simon Clausen. The Chief

Executive Officer and the Chief Technology Officer are not paid any fees in addition to their salaries disclosed in Section 6.3.3. Freelancer has not currently agreed to pay any additional fees to members of the Audit Committee or the Nomination and Remuneration Committee for membership of those committees. The remuneration of Directors must not include a commission on, or a percentage of profits or operating revenue. All Directors' fees include superannuation at 9.25% of the respective amounts where required.

### Domain Name Licence Agreement

A subsidiary of Freelancer is party to an agreement with Startive Ventures Inc., a company associated with Simon Clausen, under which Startive has granted the subsidiary an exclusive licence to use various domain names for a fee of US\$20,000 for an initial term of one year (from 20 June 2013 to 20 June 2014). As of the date of this Prospectus, these domain names are not used. Freelancer has the right to purchase the licensed domain names at any time until termination of the Agreement for US\$1,250,000 (using cash, equity, or a combination of both, as agreed between the parties). Freelancer intends to exercise this option. Further details of this agreement is set out in Section 9.8.7.

### Deeds of Access and Indemnity

The Company has entered into deeds of access, insurance and indemnity with each Director under which the Company has agreed to provide access to the books and records of the Company to current officers of the Company while they are officers and for a period of 7 years from when they cease to be officers.

The Company has also agreed to indemnify, to the extent permitted by the Corporations Act 2001 (Cth), each officer in respect of certain liabilities which the officer may incur as a result of, or by reason of (whether solely or in part), being or acting as an officer of the Company.

Pursuant to the Constitution, Freelancer may arrange and maintain directors' and officers' insurance for its Directors to the extent permitted by law. Under the deeds of access, indemnity and insurance, the Company has agreed to use reasonable endeavours to obtain and maintain such insurance during each Director's period of office and for the period of 7 years after the Director ceases to be an officer of the Company.

### Other Information

The Directors may also be paid all travelling and other expenses properly incurred by them in attending meetings of the Directors or any committee of Directors or general meetings of the Company or otherwise in connection with the execution of their duties as Directors.

In addition, any Director who is called on to perform extra services or to make special exertions or to undertake any executive or other work for the Company beyond his ordinary duties or to go or to reside abroad or otherwise for the purposes of the Company may, subject to law, be remunerated either by a fixed sum or a salary as determined by the Directors. This sum may be either in addition to or in substitution for his share in the remuneration for ordinary services.

## Shareholdings of Directors

Directors are not required under the constitution of the Company to hold any Shares in the Company. As at the date of this Prospectus, the Directors and their Associates held relevant interests in the following Shares:

Director	Shares
Simon Clausen (Startive Holdings Limited)	167,939,739
Matt Barrie	200,406,578 (including 400,000 ESP Shares)
Darren Williams	12,605,660 (including 500,000 ESP Shares)

Directors may hold their relevant interests in securities shown above directly, or through holdings by companies and trusts.

Directors may apply for Shares under the General Offer. As at the date of this Prospectus, none of the Directors had determined whether or not to apply for Shares the General Offer.

As at the date of this Prospectus, 900,000 ESP Shares have been issued under the ESP to executive Directors, Matt Barrie and Darren Williams. Details of the ESP are set out in Sections 6.3.4 and 9.7.

### 6.3.3 Executive Remuneration

#### Chief Executive Officer

Freelancer has appointed Matt Barrie as Chief Executive Officer reporting to the Board by way of an executive service agreement. The appointment of Matt is for an unspecified term. Either Freelancer or Matt may terminate the appointment with 6 months' notice or alternatively in Freelancer's case, payment in lieu of notice. Upon the termination of Matt's employment contract, he will be subject to a restraint of trade period of 12 months. The enforceability of the restraint clause is subject to all usual legal requirements.

The fixed remuneration payable to Matt comprises base remuneration of \$300,000 per annum (until 31 December

2013) and \$395,000 per annum (from 1 January 2014), inclusive of mandatory superannuation contributions, as well as the use of a motor vehicle and incidental benefits. From 1 January 2014, Matt is also entitled to an annual bonus payment capped at 50% of the base remuneration and determined by the Board or the Nomination and Remuneration Committee with reference to certain performance benchmarks.

Matt has been allocated 400,000 ESP Shares at the Offer Price. Matt may be eligible to participate in any future Share issues under the ESP, subject to shareholder approval in accordance with the Listing Rules, but will not participate in the Employee Offer. For further details about the ESP refer to Sections 6.3.4 and 9.7.

#### Chief Technology Officer

Freelancer has appointed Darren Williams as Chief Technology Officer reporting to the Board by way of an executive service agreement. The appointment of Darren is for an unspecified term. Either Freelancer or Darren may terminate the appointment with 3 months' notice or alternatively in Freelancer's case, payment in lieu of notice. Upon the termination of Darren's employment contract, he will be subject to a restraint of trade period of 12 months. The enforceability of the restraint clause is subject to all usual legal requirements.

The remuneration payable to Darren comprises base remuneration having a total cost to Freelancer of \$200,000 per annum (until 31 December 2013) and \$300,000 per annum (from 1 January 2014), inclusive of mandatory superannuation contributions. From 1 January 2014, Darren is also entitled to an annual bonus payment capped at 50% of the base remuneration and determined by the Board or the Nomination and Remuneration Committee with reference to certain performance benchmarks.

Darren has been allocated 500,000 ESP Shares at the Offer Price. Darren may be eligible to participate in any future Share issues under the ESP, subject to shareholder approval in accordance with the Listing Rules, but will not participate in the Employee Offer. For further details about the ESP refer to Sections 6.3.4 and 9.7.

#### Other Management Personnel

Freelancer's other management personnel are employed under individual executive services agreements. These establish:

- total compensation;
- eligibility to participate in Freelancer's ESP. For further details about Freelancer's ESP refer to Sections 6.3.4 and 9.7;
- variable notice and termination provisions of up to 3 months, or by Freelancer without notice in the event of

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serious misconduct;

- restraint and confidentiality provisions; and
- for Australian employees, leave entitlements as per the National Employment Standard and applicable legislation.

### **6.3.4**

## **Employee Share Plan**

The Company has established the Employee Share Plan to assist the Company in retaining and attracting current and future employees by providing them with the opportunity to own Shares in the Company.

As at the date of this Prospectus, 900,000 ESP Shares have been issued under the ESP to Matt Barrie and Darren Williams at the Offer Price.

Under the Employee Offer 5,100,000 Shares are being offered to selected Eligible Employees under the ESP.

For more information about the terms of the ESP, refer to Section 9.7.

# 6.4

## CORPORATE GOVERNANCE

This Section explains how the Board will oversee the management of Freelancer's business.

The Board is responsible for the overall corporate governance of Freelancer. The Board monitors the operational and financial position and performance of Freelancer and oversees its business strategy including approving the strategic goals of Freelancer and considering and approving an annual business plan, including a budget. The Board is committed to maximising performance, generating appropriate levels of Shareholder value and financial return, and sustaining the growth and success of Freelancer. In conducting Freelancer's business with these objectives, the Board seeks to ensure that Freelancer is properly managed to protect and enhance Shareholder interests, and that Freelancer, its Directors, officers and personnel operate in an appropriate environment of corporate governance. Accordingly, the Board has created a framework for managing Freelancer including adopting relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for Freelancer's business and which are designed to promote the responsible management and conduct of Freelancer.

The main policies and practices adopted by Freelancer, which will take effect from Official Listing, are summarised below. In addition, many governance elements are contained in

the constitution of Freelancer. The Freelancer code of conduct outlines how Freelancer expects Directors and personnel to behave and conduct business in a range of circumstances. In particular, the code requires awareness of, and compliance with, laws and regulations relevant to Freelancer's operations, including occupational health and safety, risk management, privacy and employment and diversity practices. Details of Freelancer's key policies and practices and the charters for the Board and each of its committees are available at [www.freelancer.com/investor](http://www.freelancer.com/investor).

Freelancer is seeking a listing on the ASX. The ASX Corporate Governance Council has developed and released its ASX Corporate Governance Principles and Recommendations (**ASX Recommendations**) for Australian listed entities in order to promote investor confidence and to assist companies in meeting stakeholder expectations. The recommendations are not prescriptions, but guidelines. However, under Listing Rules, Freelancer will be required to provide a statement in its annual report disclosing the extent to which it has followed the recommendations in the reporting period. Where Freelancer does not follow a recommendation, it must identify the recommendation that has not been followed and give reasons for not following it.

## 6.4.1 The Board of Directors

The Board of Directors is comprised of the Chief Executive Officer, the Chief Technology Officer and one non-executive Director. The Board consists of:

- **Matt Barrie** (Chief Executive Officer and Chairman)
- **Darren Williams** (Chief Technology Officer)
- **Simon Clausen**

Detailed biographies of the Board members are provided in Section 6.1.

Each Director has confirmed to Freelancer that he anticipates being available to perform his duties as a non-executive Director or executive Director of Freelancer without constraint from other commitments.

The Board considers an Independent Director to be a non-executive Director who is not a member of Freelancer's management and who is free of any business or other relationship that could materially interfere with or reasonably be perceived to interfere with the independent exercise of their judgement. The Board will consider the materiality of any given relationship on a case-by-case basis and has adopted guidelines to assist in this regard. The Board reviews the independence of each Director in light of interests disclosed to the Board from time to time. The Freelancer Board Charter sets out guidelines and thresholds of materiality for the purpose of determining independence of Directors in accordance with the ASX Recommendations and has adopted a definition of independence that is based on that set out in the ASX Recommendations.

The Board considers thresholds of materiality for the purpose of determining 'independence' on a case-by-case basis, having regard to both quantitative and qualitative principles. Without limiting the Board's discretion in this regard, the Board has adopted the following guidelines:

- the Board will determine the appropriate base to apply (for example, revenue, equity or expenses), in the context of each situation;
- in general, the Board will consider an affiliation with a business which accounts for less than 5% of the relevant base to be immaterial for the purpose of determining independence. However, where this threshold is exceeded, the materiality of the particular circumstance with respect to the independence of the particular Director should be reviewed by the Board; and

- overriding the quantitative assessment is the qualitative assessment. Specifically, the Board will consider whether there are any factors or considerations which may mean that the Director's interest, business or relationship could, or could be reasonably perceived to, materially interfere with the Director's ability to act in the best interests of Freelancer.

Each of the Directors are currently considered by the Board not to be independent. Matt Barrie is the founder of Freelancer, is currently the Chief Executive Officer of Freelancer and is expected to hold 46.0%<sup>1</sup> of the Shares upon completion of the Offer. Darren Williams is currently the Chief Technology Officer of Freelancer. Simon Clausen is expected to hold 38.5%<sup>2</sup> of the Shares (through an associated entity) upon completion of the Offer.

Accordingly, the Board does not consist of a majority of independent Directors and the chair is not an Independent Director. The Board acknowledges the ASX Recommendation that a majority of the Board should be Independent Directors and that the chair should be an Independent Director. The Board 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 Freelancer's business.

Further, as noted above, Matt Barrie exercises both the role of chair 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.

## 6.4.2 Board Charter

The Board has adopted a written charter to provide a framework for the effective operation of the Board, which sets out:

- the Board's composition;
- the Board's role and responsibilities;
- the relationship and interaction between the Board and management; and
- the authority delegated by the Board to management and Board committees.

The Board's role is to:

<sup>1</sup> Based on 436 million Shares outstanding, assuming the Employee Offer is fully subscribed. Percentage holding inclusive of 400,000 ESP Shares issued to Matt Barrie.

<sup>2</sup> Based on 436 million Shares outstanding, assuming the Employee Offer is fully subscribed.



- represent and serve the interests of Shareholders by overseeing and appraising Freelancer's strategies, policies and performance;
- protect and optimise Freelancer's performance and build sustainable value for Shareholders;
- set, review and ensure compliance with Freelancer's values and governance framework; and
- ensure that Shareholders are kept informed of Freelancer's performance and major developments.

Matters which are specifically reserved for the Board or its committees include:

- appointment of a Chair;
- appointment and removal of the Chief Executive Officer;
- appointment of Directors to fill a vacancy or as an additional Director;
- establishment of Board committees, their membership and delegated authorities;
- approval of dividends;
- approval of major capital expenditure, acquisitions and divestitures in excess of authority levels delegated to management;
- calling of meetings of Shareholders; and
- any other specific matters nominated by the Board from time to time.

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.

The Board collectively, and individual Directors, may seek independent professional advice at Freelancer's expense, subject to the approval of the Chairman or the Board as a whole.

## Performance Evaluation

Freelancer has adopted a performance evaluation process in relation to the Board and its committees. Each year, the Directors will provide feedback in relation to the performance of the Board and its committees against a set of agreed criteria. Each committee of the Board will

also be required to provide feedback in terms of a review of its own performance. Feedback will be collected by the chair of the Board, or an external facilitator, and discussed by the Board, with consideration being given as to whether any steps should be taken to improve performance of the Board or its committees. The Chief Executive Officer will also provide feedback from senior management in connection with any issues that may be relevant in the context of the Board performance review. Where appropriate to facilitate the review process, assistance may be obtained from third party advisers.

Given that Freelancer has not yet become listed on the ASX, a performance evaluation of the Board, its committees and the senior executives has not yet taken place in accordance with this process.

## 6.4.3 Board Committees

The Board may from time to time establish appropriate committees to assist in the discharge of its responsibilities. The Board has established the Audit Committee and the Nomination and Remuneration Committee.

Other committees may be established by the Board as and when required. Membership of Board committees will be based on the needs of Freelancer, relevant legislative and other requirements and the skills and experience of individual Directors.

Under the relevant committee charters, Board committee performance evaluations will occur annually.

## Audit Committee

Under its charter, this committee must have at least three members. Currently, Matt Barrie and Simon Clausen are members of this committee and Darren Williams is the Chairman of the committee. 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 of the Company, Freelancer is not currently able to comply with those ASX Recommendations. However, the Board believes that the experience and industry knowledge of the non-executive Directors 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.

In accordance with its charter, it is intended that all members of the committee should be financially literate and have familiarity with financial management and at least one member should have relevant qualifications and experience.

The primary roles of this committee include:

- overseeing the process of financial reporting, internal control, continuous disclosure, financial and non-financial risk management and compliance and external audit;
- encouraging effective relationships with, and communication between, the Board, Management and Freelancer's external auditor;
- 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 Freelancer;
- overseeing that all proper remedial action is undertaken to redress areas of weakness;
- overseeing Freelancer's compliance with prescribed policies; and
- reporting to the Board on any of the above responsibilities and functions.

Under the charter, it is the policy of Freelancer that its external auditing firm must be independent of it. The committee will review and assess the independence of the external auditor on an annual basis.

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## Nomination and Remuneration Committee

Under its charter, this committee must have at least three members. Currently, Matt Barrie and Simon Clausen are members of this committee and Darren Williams is the Chairman of the committee. The Board acknowledges the ASX Recommendations that the Nomination and Remuneration Committee should consist of a majority of independent Directors and be chaired by an independent chair. Due to the structure of the Board of the Company, Freelancer is not currently able to comply with those ASX Recommendations. However, the Board believes that the experience and industry knowledge of the members will ensure objective and independent judgement in carrying out their responsibilities on the committee. The Board will review the composition of the Nomination and Remuneration Committee at an appropriate time in the future.

The main functions of the committee are:

- to assist the Board with establishing a board of effective composition, size, diversity, expertise 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 Freelancer has policies to evaluate the performance of the Board, individual Directors and executives on (at least) an annual basis; and
- to ensure Freelancer's remuneration structures are equitable and aligned with the long-term interests of

Freelancer and its Shareholders. The Remuneration Committee will have regard to relevant company policies in attracting and retaining skilled executives, and structuring short and long term incentives that are challenging and linked to the creation of sustainable Shareholder returns.

In relation to nomination matters, the committee is responsible for reviewing Board membership, making recommendations to the Board, including the re-election of Directors, and assisting the Board as required in identifying individuals who are qualified to become Board members (including in respect of executive Directors). Factors the committee considers when reviewing a potential candidate for Board appointment include:

- the skills, experience and personal qualities that will best complement Board effectiveness;
- the existing composition of the Board, having regard to the objective of achieving a Board comprising Directors with a broad range of skills, expertise and experience from a broad range of backgrounds, including gender;
- the capability of the candidate to devote the necessary time and commitment to the role (this involves a consideration of matters such as other board or executive appointments); and
- potential conflicts of interest and independence.
- In relation to remuneration matters, the committee's responsibilities are to ensure that Freelancer:
  - has coherent remuneration policies and practices which enable Freelancer to attract and retain executives and Directors who will create value for Shareholders;
  - fairly and responsibly remunerates Directors and executives, having regard to the performance of Freelancer, the performance of the executives and the general remuneration environment; and
  - has effective policies and procedures to attract, motivate and retain appropriately skilled and diverse persons to meet Freelancer's needs.

## 6.4.4 Code of Conduct

The Board recognises the need to observe the highest standards of corporate practice and business conduct. The Board has adopted a formal code of conduct to be followed by all personnel and officers.

The key aspects of this code are to:

- act with honesty, integrity and fairness and in the best interests of Freelancer and in the reasonable expectations of Freelancer's Shareholders;

- act in accordance with all applicable laws, regulations, policies and procedures; and
- use Freelancer's resources and property properly.

The code of conduct sets out Freelancer's policies on various matters including ethical conduct, business conduct, compliance, privacy, security of information, bribery and corruption, and conflicts of interest.

### 6.4.5 Diversity Policy

Freelancer has adopted a diversity policy. Freelancer will ensure effective promotion of gender diversity in the workplace. In its annual report, Freelancer will disclose the measurable objectives for achieving gender diversity and progress towards achieving them, and will also disclose the proportion of women personnel in the whole organisation, women in senior executive positions and women on the Board.

### 6.4.6 Continuous Disclosure Policy

Once listed, Freelancer will be required to comply with the continuous disclosure requirements of Listing Rules and the Corporations Act. Subject to the exceptions contained in Listing Rules, Freelancer will be required to disclose to the ASX any information concerning Freelancer which is not generally available and which a reasonable person would expect to have a material effect on the price or value of the Shares. Freelancer is committed to observing its disclosure obligations under Listing Rules and the Corporations Act. Freelancer has adopted a policy to take effect from Official Listing which establishes procedures which are aimed at ensuring that Directors and management are aware of and fulfil their obligations in relation to the timely disclosure of material price-sensitive information. Continuous disclosure announcements will be made available on Freelancer's website, [www.freelancer.com/investor](http://www.freelancer.com/investor).

### 6.4.7 Shareholder Communication

The Board's aim is to ensure that Shareholders are provided with sufficient information to assess the performance of Freelancer and that they are informed of all major developments affecting the state of affairs of Freelancer 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 Freelancer's website, [www.freelancer.com/investor](http://www.freelancer.com/investor).

In particular, Freelancer's website will contain information about it, including media releases, key policies and the

terms of reference of its Board committees. All relevant announcements made to the market and any other relevant information will be posted on Freelancer's website as soon as they have been released to the ASX.

### 6.4.8 Risk Management Policy

The identification and proper management of Freelancer's risks are an important priority of the Board. Freelancer has adopted a risk management policy appropriate for its business. This policy highlights the risks relevant to Freelancer's operations and Freelancer'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.

Freelancer will regularly undertake reviews of its risk management procedures to ensure that it complies with its legal obligations, including assisting the Managing Director or Chief Financial Officer to provide the required declaration under section 295A of the Corporations Act. Freelancer 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.

### 6.4.9 Securities Trading Policy

Freelancer has adopted a written policy to take effect from Official Listing for dealing in securities which is intended to explain the prohibited type of conduct in relation to dealings in securities under the Corporations Act and to establish a best practice procedure in relation to dealings in Shares by Directors, management and personnel.

Directors, management and personnel will not be permitted to deal in Shares during the following "blackout periods":

- 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 (as applicable); and
- any other period that the Board specifies from time to time.

Outside of these periods, Directors and management must notify the Board of any proposed dealing in securities and confirm they are not in position of any

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inside information. In all instances, buying or selling Shares is not permitted at any time by any person who possesses price-sensitive information.

# 7.0

## DETAILS OF THE OFFER





## Md. Ali Asgar

Social Networking and Internet Marketing Expert

“Freelancer.com is a name that means a successful future and career for you and me.”



5.0/5.0 rating, 2686 reviews,  
Member since July 2009

📍 Dhaka, Bangladesh



# 7.1

## DESCRIPTION OF THE OFFER

The Offer comprises the General Offer and the Employee Offer.

The General Offer is an Initial Public Offering of 30 million Shares to the public that will be issued by Freelancer in conjunction with an application for admission of the Company to the official list of the ASX.

This Prospectus invites Applications for Shares under the General Offer at an issue price of \$0.50 per Share. The minimum Application under the General Offer is for 4,000 General Offer Shares (requiring an investment of \$2,000) and then in multiples of 500 General Offer Shares (\$250).

The Employee Offer is an offer to selected Eligible Employees of 5.1 million Shares under the ESP at an issue price of \$0.50 per Share. Selected Eligible Employees may only apply for up to as many Employee Offer Shares for which the Board invites them to apply under the Employee Offer. Eligible Employees who accept an invitation will 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.

All Shares issued pursuant to this Prospectus will be fully paid and will rank equally in all respects with the Shares already on issue. The rights and liabilities attaching to Shares are detailed in Section 9.

## 7.2

### ISSUED CAPITAL

Upon completion of the Offer the issued capital of Freelancer is expected to be 436 million fully paid Shares (assuming the Employee Offer is fully subscribed).

## 7.3

### PURPOSE OF THE OFFER AND USE OF PROCEEDS

The purposes of the Offer are to:

- raise capital to accelerate the growth of Freelancer's business;
- assist in retaining and attracting the services of current and future employees by providing them with the opportunity to own Shares in Freelancer;
- allow easier access to the equity markets in order to fund future organic growth and acquisition opportunities; and
- subject to the escrow arrangements pertaining to the Director Shares set out in Section 9.3.2, provide all Shareholders greater liquidity for their investment in the Company.

The funds received pursuant to the Offer will be used as follows:

- to fund the acquisition of certain domain names (US\$1.25 million);
- to pay the costs of the Offer (estimated at approximately \$1 million, including the underwriting fee payable by Freelancer under the Underwriting Agreement - see Section 9.8.1); and
- to fund working capital requirements for the existing business and current organic growth opportunities (balance).

## 7.4

### HOW TO APPLY FOR SHARES

An Application for Offer Shares can be made only by completing the relevant Application Form contained in this Prospectus. Detailed instructions on the correct method of completing an Application Form are included at the end of this Prospectus and form part of the terms of the Application Form.

Applicants are advised to lodge their Applications as early as possible after the Offer opens.

The Company reserves the right, in consultation with the Underwriter, to close the Application list at any time during the Offer Period after expiry of the Exposure Period without prior notice. The Company, in consultation with the Underwriter, has the right to extend the Offer Period. The Company does not intend to accept Applications received after the Closing Date other than in satisfaction of the Underwriter's obligations to meet any shortfall in Applications.

#### 7.4.1

### Applications Under the General Offer

The minimum Application under the General Offer is for 4,000 Offer Shares (requiring an investment by an Applicant of \$2,000 Application Monies) and then in multiples of 500 Offer Shares (\$250).

The Application Monies under the General Offer can be provided in paper form or online:

- **Paper Form (chq)**

(a) Complete the General Application Form attached to or accompanying this Prospectus in accordance with the instructions on the General Application Form and forward the complete General Application Form and accompanying cheque at any time after the Opening Date so that it is received by Boardroom Pty Limited no later than 5.00pm (AEDT) on the Closing Date via post or delivery at:

  - **Post to:**  
Freelancer Limited  
C/- Boardroom Pty Limited  
GPO Box 3993  
Sydney NSW 2001
  - **OR Deliver to:**  
Freelancer Limited  
C/- Boardroom Pty Limited  
Level 7  
207 Kent Street  
Sydney NSW 2000

Payments by cheque will be deemed to be made when the cheque is honoured by the bank on which it is drawn. Applicants are advised to lodge their Applications as early as possible after the Offer opens. All cheques must be made payable to "**Freelancer Limited Float Account**" and crossed "**Not Negotiable**".

- **Online (Bpay®)**

(b) Alternatively, you may submit your Application Form electronically via: [www.boardroomlimited.com.au/FreelancerOffer](http://www.boardroomlimited.com.au/FreelancerOffer) and submit your Application monies using BPAY. To submit an online Application Form and pay by BPAY follow the instruction on the Application Form.

## 7.4.2 Applications Under the Employee Offer

Eligible Employees invited to participate in the Employee Offer may apply for Employee Offer Shares by completing and returning the notice of acceptance and the Employee Application Form to the address provided in the invitation at any time after the Opening Date so that it is received by Freelancer no later than 5.00pm (AEDT) on the Closing Date.

No Application Monies are payable upon Application for Shares under the Employee Offer. If you are issued Employee Offer Shares, Freelancer will advance you the Applications Monies payable for those Shares under the terms of the ESP. See Section 9.7 for further details.

## 7.5 ACCEPTANCE OF APPLICATIONS

The Company may accept or reject any Application under the General Offer, or accept an Application in respect of a number of General Offer Shares less than the number for which the Applicant applies. The Company will accept all Applications under the Employee Offer made by Eligible Employees invited to participate.

Acceptance of an Application by the Company creates a legally binding contract between the Applicant and the Company for the number of Offer Shares for which the Application is accepted. Acceptance of an Application only takes place on issue of the Offer Shares.

Where an Application under the General Offer is rejected, the Application Monies will be returned in full. If the number of General Offer Shares allotted to the Applicant is fewer than the number for which the Applicant applied, the surplus Application Monies will be returned. Interest will not be paid on any returned Application Monies.

The Company will issue the Offer Shares that are the subject of successful Applications as soon as possible after the Closing Date and the grant of ASX permission for Official Quotation of the Shares, unconditionally or on conditions acceptable to the Directors.

Pending the issue of the Offer Shares offered by this Prospectus, the Company will deposit Application Monies in a separate bank account and keep them there for so long as those Applications, or any part of them, are liable to be repaid in accordance with the Corporations Act and this Prospectus.

## 7.6 ASX LISTING

The Company has made an application to the ASX for the Company to be admitted to the Official List of the ASX and for the Official Quotation of all Shares.

The fact that ASX may Officially Quote all of the Offer Shares or any other Shares is not to be taken as an indication of the merits of the Company or of any of the Shares. ASX, its officers and employees take no responsibility for the contents of the Prospectus or the statements that it contains.

If granted, Official Quotation of the Shares will commence as soon as is practicable after the issue of shareholding statements to Shareholders.

If permission for Official Quotation of the Shares is not granted or deemed granted within 3 months, none of the Offer Shares will be issued unless an exemption is granted by the ASIC permitting such issue. If no issue is made, all Application Monies will be returned within the time prescribed by the Corporations Act. Interest will not be paid on any Application Monies refunded.

## 7.7 CLEARING HOUSE ELECTRONIC SUBREGISTER SYSTEM (CHESS)

Freelancer will apply to participate in the Clearing House Electronic Sub-register System, known as CHESS, operated by ASX Settlement (a wholly owned subsidiary of the ASX), in accordance with the Listing Rules and ASX Settlement Operating Rules. On admission to CHESS, Freelancer will operate an electronic issuer-sponsored sub-register and an electronic CHESS sub-register. The two sub-registers together will make up Freelancer's principal register of securities.

Under CHESS, Freelancer will not issue share certificates to successful Applicants following allotment, Freelancer will provide each Shareholder whose address is in Australia with a holding statement (similar to a bank account statement) which sets out the number of Shares allotted to the Shareholder under this Prospectus. If applicable, the holding statement will also advise Shareholders of their Holder Identification Number ("HIN") or Sponsoring Issuer Number ("SRN"). If a Shareholding changes during a month, the Shareholder will receive a statement at the end of that month. Shareholders may also request statements at any other time (although Freelancer may charge an administration fee). It is the responsibility of Applicants to determine their allocation prior to the trading of the Shares. Applicants who sell



Shares before they receive notice of their allocation do so at their own risk.

## 7.8 UNDERWRITING

The General Offer is fully underwritten by KTM Capital Pty Limited. The Underwriter is entitled to an underwriting fee payable by Freelancer of \$450,000 plus GST. Details of the underwriting agreement, including the circumstances in which the Underwriter may terminate its obligations, are set out in Section 9.8.1.

After completion of the Offer, the percentage interest of the Underwriter in Freelancer will depend on the number of General Offer Shares to be allocated to successful Applicants other than the Underwriter; however, that percentage interest will be no greater than 7%.

The Employee Offer is not underwritten.

## 7.9 RESTRICTION ON DISTRIBUTION AND OVERSEAS INVESTORS

No action has been taken to register or qualify this Prospectus, the Offer Shares or the Offer or otherwise to permit a public offering of the Offer Shares, in any jurisdiction outside Australia.

This Prospectus does not constitute an offer or invitation to apply for Offer Shares in any jurisdiction where, or to any person to whom, it would not be lawful to issue this Prospectus.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and therefore persons who obtain a copy of this Prospectus should inform themselves about, and observe, any such restrictions. Any failure to comply with such restrictions may constitute a violation of those laws.

Where this Prospectus has been dispatched to persons in jurisdictions outside of Australia where the securities legislation or regulation requires registration or any analogous treatment, this Prospectus is provided for information purposes only. This Prospectus has not been and will not be registered under any such legislation or regulation or in any such jurisdiction.

It is the responsibility of any overseas resident Applicant to ensure that they comply with all laws of any country relevant to their Application. The return of a duly completed Application Form will be taken by the

Company to constitute a representation and warranty made by the Applicant to the Company that there has been no breach of such laws and that all necessary approvals and consents have been obtained.

The Offer does not and will not constitute an offer of securities in the United States. The Shares have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state of the United States and may not be offered or sold in the United States. Furthermore, no person ordinarily resident in the United States is permitted to submit an Application. If the Directors believe that any Applicant is ordinarily a resident in the United States, or is acting on behalf of a person or entity that is ordinarily a resident of the United States, the Directors will reject that Applicant's Application.

Each Applicant will be taken to have represented, warranted and agreed as follows:

- it understands that the Shares have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state of the United States and may not be offered, sold or resold in the United States;
- it is not in the United States;
- it has not and will not send the Prospectus or any other material relating to the Offer to any person in the United States; and
- it will not offer or sell the Shares in the United States or in any other jurisdiction outside Australia.

Without limiting the rest of this Section, this Prospectus and any other materials relating to the Offer have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this Prospectus and any other document or materials in connection with the offer, or invitation for subscription, of Shares may not be issued, circulated or distributed, nor may these securities be offered, or be made the subject of an invitation for subscription, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

It is the responsibility of Applicants to obtain all necessary approvals for the subscription for any Offer Shares under this Prospectus.

## 7.10 DISCRETION REGARDING THE OFFER

Freelancer may withdraw the Offer at any time before the issue of Shares to successful Applicants. If the Offer



does not proceed, all relevant Application Monies will be refunded (without interest).

## 7.11 ENQUIRIES

If you require assistance to complete the General Application Form or require additional copies of this Prospectus, you should contact the Share Registry on 1300 737 760 within Australia or +61 2 9290 9600 outside Australia.

Alternately, please consult the Investor Relations section of the Freelancer website at:

<http://www.freelancer.com/investor>

If you are unclear in relation to any matter or are uncertain as to whether Freelancer is a suitable investment for you, you should seek professional advice from your stockbroker, lawyer, accountant or other professional adviser.

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# 8.0

## INVESTIGATING ACCOUNTANT'S REPORT





**HALL CHADWICK CORPORATE (NSW)  
LIMITED**

**ACN 080 462 488  
SYDNEY**

Level 29, St Martin's Tower 31 Market Street Sydney  
NSW 2000 Australia

GPO Box 3555 Sydney NSW 2001  
Ph: (612) 9263 2600  
Fx: (612) 9263 2800  
E: hcsydinfo@hallchadwick.com.au  
www.hallchadwick.com.au

**A member of AGN International Ltd, a worldwide  
association of separate and independent  
accounting and consulting firms**

## INVESTIGATING ACCOUNTANT'S REPORT

**21 October 2013**

The Directors  
Freelancer Limited  
Suite 52 Jones Bay Wharf  
26 – 32 Pirrama Road  
Pyrmont NSW 2009

Dear Sirs,

**Investigating Accountant's Report on Pro-forma, Historical and Forecast Financial Information**

We have prepared this Investigating Accountant's Report (report) at the request of the Directors of Freelancer Limited (the "Company"), for inclusion in a Prospectus relating to the proposed issue by the Company of up to 30,000,000 Shares to the public at an issue price of \$0.50 each to raise up to \$15,000,000 before the costs of the issue and up to a further 5,100,000 Shares at an issue of \$0.50 each under the ESP to selected Eligible Employees ("the Prospectus").

Capitalised terms defined in the Prospectus have the same meaning in this report.

Hall Chadwick Corporate (NSW) Limited holds an Australian Financial Services License (No. 227902) issued by the Australian Securities and Investments Commission for use in providing financial product advice, including an Investigating Accountant's report.



## Scope

You have requested Hall Chadwick Corporate (NSW) Limited to review the following financial information of Freelancer Limited (the responsible party) included in the Prospectus.

The Pro-forma Historical Financial Information, Historical Financial Information and Forecast Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

### *Pro-forma Historical Financial Information*

- a.** The pro-forma historical consolidated Statements of Comprehensive Income for the years ended 31 December 2010 ("FY2010") and 31 December 2011 ("FY2011");
- b.** the pro-forma historical consolidated Statements of Cash Flow for FY2010 and FY2011; and
- c.** the pro-forma historical consolidated Statement of Financial Position as at 30 June 2013 (the "Pro-forma Consolidated Statement of Financial Position"),

*together the "Pro-forma Historical Financial Information".*

The pro-forma historical consolidated Statements of Comprehensive Income and pro-forma historical consolidated Statements of Cash Flow have been derived from the historical financial information of the Company, after adjusting for the effects of pro-forma adjustments described in Section 4.1.3 of the Prospectus.

The pro-forma historical Statement of Financial Position has been derived from the historical financial information of the Company, after adjusting for the effects of pro-forma adjustments described in Section 4.5.1 of the Prospectus.

The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the events or transactions to which the pro-forma adjustments relate, as described in Sections 4.1.3 and 4.5.1 of the Prospectus, as if those events or transactions had occurred as at the date of the historical financial information. Due to its nature, the Pro-forma Historical Financial Information does not represent the Company's actual or prospective financial performance, cash flows and/or financial position.

### *Historical Financial Information*

- a.** The historical consolidated Statements of Comprehensive Income for the year ended 31 December 2012 ("FY2012") and the six months ended 30 June 2013 ("HY2013");
- b.** the historical consolidated Statements of Cash Flow for FY2012 and HY2013; and
- c.** the historical consolidated Statement of Financial Position as at 31 December 2012 and as at 30 June 2013,

*together the "Historical Financial Information".*



The Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies. The Historical Financial Information has been extracted from the financial reports of Freelancer Limited for FY2012, which was audited by Hall Chadwick Chartered Accountants in accordance with the Australian Auditing Standards and for HY2013, which was reviewed by Hall Chadwick Chartered Accountants in accordance with Australian Auditing Standards. Hall Chadwick Chartered Accountants issued an unmodified audit opinion and review conclusion, respectively on the financial reports.

#### *Forecast Financial Information*

The forecast consolidated Statement of Comprehensive Income of Freelancer Limited for year ended 31 December 2013 ("FY2013"), as described in Section 4.2 of the Prospectus, the "*Forecast Financial Information*". The Directors' best-estimate assumptions underlying the forecast are described in Section 4.3 of the Prospectus. The stated basis of preparation used in the preparation of the forecast is the recognition and measurement principles contained in Australian Accounting Standards and the entity's adopted accounting policies.

*The Pro-forma Historical Financial Information, Historical Financial Information and Forecast Financial Information are known as the "Financial Information".*

## **Directors' Responsibilities**

The Directors of Freelancer Limited are responsible for the preparation of the Historical Financial Information and Pro-forma Historical Financial Information, including the selection and determination of pro-forma adjustments made to the Historical Financial Information and included in the Pro-forma Historical Financial Information. They are also responsible for the preparation of the Forecast Financial Information, including the best-estimate assumptions underlying the forecast. This includes responsibility for such internal controls as the Directors determine are necessary to enable the preparation of Historical Financial Information, Pro-forma Historical Financial Information and Forecast Financial Information that are free from material misstatement, whether due to fraud or error.

## **Our Responsibility**

Our responsibility is to express a limited assurance conclusion on the Pro-forma Historical Financial Information, Historical Financial Information, the Forecast Financial Information, the best-estimate assumptions underlying the Forecast Financial Information, and the reasonableness of the Forecast Financial Information itself, based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

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

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the Financial Information.

## Conclusions

### *Pro-forma Historical Financial Information*

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro-forma Historical Financial Information, as described in Section 4 of the Prospectus, and comprising:

- the Statements of Comprehensive Income of Freelancer Limited for FY2010 and FY2011;
- the Statements of Cash Flow for FY2010 and FY2011; and
- the Pro-forma Consolidated Statement of Financial Position as at 30 June 2013,

are not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 4 of the Prospectus.

### *Historical Financial Information*

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Historical Financial Information, as described in Section 4 of the Prospectus, and comprising:

- the Statements of Comprehensive Income of Freelancer Limited for FY2012 and HY2013;
- the Statements of Cash Flow for FY2012 and HY2013; and
- the Statements of Financial Position as at 31 December 2012 and as at 30 June 2013,

are not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 4 of the Prospectus.

### *Forecast Financial Information*

Based on our limited assurance engagement, which is not a reasonable assurance engagement, nothing has come to our attention which causes us to believe that:

- the Directors' best-estimate assumptions used in the preparation of the forecast Statement of Comprehensive Income of Freelancer Limited for FY2013 do not provide reasonable grounds for the forecast;

# HALLCHADWICK

- in all material respects, the Forecast Financial Information:
  - is not prepared on the basis of the Directors' best-estimate assumptions as described in Section 4 of the Prospectus;
  - is not presented fairly in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the entity's adopted accounting policies; and
- the Forecast Financial Information itself is unreasonable.

The Forecast Financial Information has been prepared by management and adopted by the Directors in order to provide prospective investors with a guide to the potential financial performance of Freelancer Limited for FY2013.

There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to events and transactions that have not yet occurred and may not occur. Actual results are likely to be different from the Forecast Financial Information since anticipated events or transactions frequently do not occur as expected and the variation may be material. The Directors' best-estimate assumptions on which the Forecast Financial Information are based relate to future events and/or transactions that management expect to occur and actions that management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of the Freelancer Limited.

Evidence may be available to support the Directors' best-estimate assumptions on which the Forecast Financial Information is based however such evidence is generally future-oriented and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on those best-estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the Directors' best-estimate assumptions. The limited assurance conclusion expressed in this report has been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties in relation to an investment in Freelancer Limited, which are detailed in the Prospectus, and the inherent uncertainty relating to the Forecast Financial Information. Accordingly, prospective investors should have regard to the investment risks as described in Section 5 of the Prospectus. The sensitivity analysis described in Section 4.7 of the Prospectus demonstrates the impact on the Forecast Financial Information of changes in key best-estimate assumptions. We express no opinion as to whether the Forecast Financial Information will be achieved.

We have assumed, and relied on representations from certain members of management of Freelancer Limited, that all material information concerning the prospects and proposed operations of Freelancer Limited has been disclosed to use and that the information provided to use for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

## Independence

Hall Chadwick Corporate (NSW) Limited does not have any interest in the outcome of this issue other than in its capacity as Investigating Accountant for which normal professional fees will be received. Hall Chadwick Corporate (NSW) Limited does not hold nor have any interest in the ordinary shares of the Company.

## Restriction on Use

Without modifying our conclusions, we draw attention to Section 4 of the Prospectus, which describes the purpose of the financial information being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose. We disclaim any assumption of responsibility for any reliance on this report or on the financial information to which it relates, for any purpose other than that for which it was prepared.

Hall Chadwick Corporate (NSW) Limited was not involved in the preparation of any part of the Prospectus, and accordingly, makes no representations or warranties as to the completeness and accuracy of any information contained in any other part of the Prospectus.

Hall Chadwick Corporate (NSW) Limited consents to the inclusion of this report in the Prospectus in the form and content in which it is included. At the date of this report, this consent has not been withdrawn.

Yours faithfully



David Kenney



Drew Townsend

**Directors**

HALL CHADWICK CORPORATE (NSW) LIMITED





## FINANCIAL SERVICES GUIDE

**Dated 21 October 2013**

### **What is a Financial Services Guide (FSG)?**

This FSG is designed to help you to decide whether to use any of the general financial product advice provided by Hall Chadwick Corporate (NSW) Limited ABN 28 080 462 488, Australian Financial Services Licence Number 227902 (**HCC**).

This FSG includes information about:

- HCC and how they can be contacted;
- the services HCC is authorised to provide;
- how HCC are paid;
- any relevant associations or relationships of HCC;
- how complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and
- the compensation arrangements that HCC has in place.

This FSG forms part of an Investigating Accountant's Report (**Report**) which has been prepared for inclusion in a disclosure document. The purpose of the disclosure document is to help you make an informed decision in relation to a financial product. The contents of the disclosure document, as relevant, will include details such as the risks, benefits and costs of acquiring the particular financial product.

### **Financial services that HCC is authorised to provide**

HCC holds an Australian Financial Services Licence, which authorises it to provide, amongst other services, financial product advice for securities and interests in managed investment schemes, including investor directed portfolio serves, to retail clients. We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of finance products.

### **HCC's responsibility to you**

HCC has been engaged by the Directors of Freelancer Limited to prepare an investigating accountant's report (**Report**) for inclusion in a Prospectus in relation to the initial public offering of shares in Freelancer Limited on the ASX (**Offer**).

You have not engaged HCC directly but have received a copy of the Report because you have been provided with a copy of the Prospectus. HCC nor the employees of HCC are acting for any person other than Freelancer Limited. HCC is responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

## **General advice**

As HCC has been engaged by Freelancer Limited, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report.

You should also consider the other parts of the Prospectus before making any decision in relation to the Offer.

## **Fees HCC may receive**

HCC charges fees for preparing reports. These fees will usually be agreed with, and paid by, the Freelancer Limited. Fees are agreed on either a fixed fee or a time cast basis. In this instance, Freelancer Limited has agreed to pay HCC \$50,000 (excluding GST and out of pocket expenses) for preparing the Report. HCC and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of this Report.

HCC officers and representatives receive a salary or a partnership distribution from Hall Chadwick Sydney professional advisory and accounting practice (the Hall Chadwick Sydney Partnership). Remuneration and benefits are not provided directly in connection with any engagement for the provision of general financial product advice in the Report. Further details may be provided on request.

## **Referrals**

HCC does not pay commissions or provide any other benefits to any person for referring customers to them in connection with a Report.

## **Associations and relationships**

Through a variety of corporate and trust structures HCC is controlled by and operates as part of the Hall Chadwick Sydney Partnership. HCC's directors may be partners in the Hall Chadwick Sydney Partnership. Mr David Kenney and Mr Drew Townsend, directors of HCC and partners in the Hall Chadwick Sydney Partnership, have prepared this Report. The financial product advice in the Report is provided by HCC and not by the Hall Chadwick Sydney Partnership.

From time to time HCC, the Hall Chadwick Sydney Partnership and related entities (**HC Entities**) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses. HC Entities have provided, and continue to provide, a range of audit, tax and advisory services to the Client for which professional fees are received. Over the past two years professional fees of \$91,019 have been received from Freelancer Limited.

No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, Freelancer Limited or has other material financial interests in the Offer.

**Complaints resolution**

If you have a complaint, please let either HCC know. Formal complaints should be sent in writing to:  
The Complaints Officer  
Hall Chadwick Corporate (NSW) Limited  
GPO Box 3555  
Sydney NSW 2001

If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer, David Kenney, on (02) 9263 2600 and they will assist you in documenting your complaint.

Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than 45 days after receiving the written complaint, the response to your complaint will be advised in writing.

**External complaints resolution process**

If HCC cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Financial Ombudsman Service (**FOS**). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website [www.fos.org.au](http://www.fos.org.au) or by contacting them directly at:  
Financial Ombudsman Service Limited  
GPO Box 3, Melbourne Victoria 3001  
Telephone: 1300 78 08 06  
Facsimile (03) 9613 6399  
Email: [info@fos.org.au](mailto:info@fos.org.au)

The Australian Securities and Investments Commission also has a free call infoline on 1300 300 630 which you may use to obtain information about your rights.

**Compensation arrangements**

HCC has professional indemnity insurance cover as required by the Corporations Act 2001(Cth).

**Contact details**

You may contact HCC at:  
Hall Chadwick Corporate (NSW) Limited  
GPO Box 3555  
Sydney NSW 2001  
Telephone: (02) 9263 2600  
Facsimile: (02) 9263 2800



# 9.0

## ADDITIONAL INFORMATION





## Edwin Bryan Roset

Graphic and Web Design Expert

“For me, being a freelancer means having a chance to have moments with your loved ones.”



5.0/5.0 rating, 6 reviews,  
Member since March 2013

📍 Davao City, Philippines





## 9.1 REGISTRATION

Freelancer Limited was registered in Victoria, Australia on 10 February 2010 as a private company and was converted into a public company on 27 September 2013.

## 9.2 COMPANY TAX STATUS

Freelancer Limited is subject to tax at the Australian corporate tax rate.

## 9.3 CAPITAL STRUCTURE

The share capital of Freelancer after the completion of the Offer and related transactions as disclosed in this Prospectus will be:

Shareholder	Shares <sup>1</sup>	Percentage of Shares after the Offer <sup>1</sup>
Existing Shareholders <sup>2,3</sup>	400,900,000	91.9%
Applicants under the Employee Offer	5,100,000	1.2%
Applicants under the General Offer	30,000,000	6.9%
<b>Total</b>	<b>436,000,000</b>	<b>100.0%</b>

### 9.3.1 Details of Existing Shareholders

Details of the Existing Shareholders of Freelancer as at the date of this Prospectus are:

Shareholder	Shares held before the Offer	Shares held after the Offer <sup>1</sup>	Percentage of Shares after the Offer <sup>1</sup>
Matt Barrie	200,406,578 <sup>2</sup>	200,406,578 <sup>2</sup>	46.0%
Startive Holdings Limited (Simon Clausen)	167,939,739	167,939,739	38.5%
Darren Williams	12,605,660 <sup>3</sup>	12,605,660 <sup>3</sup>	2.9%
Bev Rogers Super Fund	11,263,527	11,263,527	2.6%
Nicholas de Jong	3,421,164	3,421,164	0.8%
Peter Cotton	1,578,999	1,578,999	0.4%
Rodney Sellick	1,315,833	1,315,833	0.3%
Marobar Holdings Pty Ltd	789,500	789,500	0.2%
Vikram Sharma	789,500	789,500	0.2%
Michael Ruhfus	789,500	789,500	0.2%
Applicants under the Employee Offer	nil	5,100,000	1.2%
Applicants under the General Offer	nil	30,000,000	6.9%
<b>Total</b>	<b>400,900,000</b>	<b>436,000,000</b>	<b>100.0%</b>

#### Notes:

<sup>1</sup> Assuming the Employee Offer is fully subscribed. Existing Shareholders may apply for Shares under this Prospectus. As at the date of this Prospectus, none of the Existing Shareholders had determined whether or not to apply for Shares under this Prospectus. If they do apply for, and are issued Shares under this Prospectus, the figures in the table above will vary accordingly.

<sup>2</sup> Inclusive of 400,000 ESP Shares.

<sup>3</sup> Inclusive of 500,000 ESP Shares.

## 9.3.2 Escrow Arrangements

ASX has advised the Company that none of the existing Shares held by Existing Shareholders will be classified as restricted securities by ASX and accordingly they will not be subject to mandatory escrow.

However, each of the Directors has entered into voluntary escrow arrangements under which they have undertaken to the Company not to dispose of any interest in or to grant any security over any of the 380,051,977 Director Shares to be held by them on completion of the Issue in accordance with the Offer.

These restrictions will terminate on the first anniversary of the date of admission of Freelancer to the Official List. However, these restrictions may be released early to enable a Director to accept an offer under a takeover bid in relation to their Shares provided holders of not less than 50% of the Shares not subject to the restrictions then on issue have accepted the takeover bid or to enable the Shares of a Director to be transferred or cancelled as part of a merger by scheme of arrangement under Part 5.1 of the Corporations Act. Additionally, the Directors are entitled to transfer any or all of the existing Shares to a complying superannuation fund of which the holder is a member.

The Directors are entitled to waive the restrictions at any time. The undertakings given by the Directors may give the Company a "relevant interest" in these Shares for the purposes of the Corporations Act.

## 9.3.3 Rights Attaching to Shares

Immediately after issue, the Offer Shares will be fully paid ordinary shares in the capital of the Company. There will be no liability on the part of Applicants who have been allotted any Offer Shares to pay any calls and the Offer Shares will rank equally in all respects with all Shares currently on issue.

Detailed provisions relating to the rights attaching to the Shares are set out in the Company's constitution and the Corporations Act. A copy of the constitution can be inspected during office hours at the registered office of the Company.

A summary of the rights attaching to the Offer Shares under the constitution and the Corporations Act are summarised below:

Each Share confers on its holder:

- the right to vote at a general meeting of Shareholders (whether present in person or by any representative, proxy or attorney) on a show of hands (one vote per Shareholder) and on a poll (one vote per Share on which there is no money due and payable) subject to

the rights and restrictions on voting which may attach to or be imposed on Shares (at present there are none);

- the right to receive dividends, according to the amount paid up on the Share;
- the right to receive, in kind, the whole or any part of the Company's property in a winding up, subject to priority given to holders of Shares that have not been classified by ASX as "restricted securities" and the rights of a liquidator to distribute surplus assets of the Company (with the consent of members by special resolution); and
- subject to the Corporations Act and the Listing Rules, all Shares are fully transferable.

The rights attaching to Shares may be varied with the approval of Shareholders in general meeting by special resolution.

## 9.4 CORPORATE STRUCTURE

Below is a list of entities which are directly or indirectly wholly-owned subsidiaries of Freelancer:

Entity	Country of incorporation	Nature of business
Freelancer International Pty Ltd	Australia	Main operating entity of the Group. Employs Sydney based staff and some contractors. Operates all websites and contracts for the provision of services to support the websites, including webhosting, payment gateways and banking arrangements.
Freelancer Technology Pty Ltd	Australia	Owns substantially all the Group's intellectual property rights.
Freelancer India Pty Ltd	Australia	Acts solely as a holding company for Freelancer Online India Private Limited.
Freelancer Pakistan Pty Ltd	Australia	Not operating (refer to commentary below).
Freelancer Bangladesh Pty Ltd	Australia	Not operating (refer to commentary below).
Payments Pty Ltd	Australia	Not operating (refer to commentary below).
Freelancer Networks (Canada) Inc	Canada	Not operating (refer to commentary below).
Freelancer Outsourcing Inc	Canada	Owns certain assets relating to the acquisition of Scriptlance and which has entered into an inter-company arrangement with Freelancer International Pty Ltd in relation to the continued operation of those assets.
Freelancer Belize Limited	Belize	Not operating (refer to commentary below).

Entity	Country of incorporation	Nature of business
Freelancer.com Pte Limited	Singapore	The Group's operations in the Philippines are currently being conducted through this entity's representative office based in Manila. Employs all Manila based staff and contracts for the provision of services to support the Manila office.  This entity is the merchant of record for various Group credit card merchant facilities and acts as the contracting entity for users of the Hong Kong, Singapore and Philippines regional websites.
Freelancer International GmbH	Switzerland	This entity is the merchant of record for various Group credit card merchant facilities.
Freemarket (Switzerland) GmbH	Switzerland	This entity acts as the contracting entity for users on the www.freemarket.com website.
Freelancer Online India Private Limited	India	Acts as an agent to receive and make Indian based payments on behalf of Freelancer International Pty Ltd.
Freelancer.com Philippines, Inc	Philippines	Not operating (refer to commentary below).
Freelancer Outsourcing UK Limited	United Kingdom	Not operating (refer to commentary below).

The subsidiaries above that are described as not operating are currently not trading, however may be used to meet local registration requirements.

Note that the Group's Philippines operations, currently being conducted through the representative office of Freelancer.com Pte Limited (Singapore), are being transitioned to Freelancer.com Philippines, Inc (Philippines).

## 9.5 DIVIDEND REINVESTMENT PLAN

The Company has established a Dividend Reinvestment Plan (**DRP**). The full terms and conditions of the **DRP** may be inspected at the registered office of the Company during normal business hours. The terms of the **DRP** are outlined below.

### Participation

Participation in the **DRP** is optional. Shareholders who may participate in the **DRP** comprise Shareholders:

- whose address, as it appears in the register of members of the Company, is situated in Australia or New Zealand; or

- whose address, as it appears in the register of members of the Company, is situated outside Australia and New Zealand and who have produced to the Company such evidence as the Company may require to satisfy the Company that any necessary approvals of any government or governmental authority in relation to participation in the **DRP** have been obtained and are current and that such participation is not contrary to any applicable laws of Australia or any other relevant jurisdictions.

A Shareholder who wishes to participate in the **DRP** must complete the prescribed form and send it to the Company. A Shareholder may nominate the percentage of its Shares that are to participate in the **DRP**. The Directors may in their absolute discretion, accept or refuse any application to participate. A Shareholder may terminate its participation in the **DRP** or increase or decrease the percentage of Shares which are to participate in the **DRP** at any time by giving written notice to the Company.

### Period of Operation

The **DRP** will commence operation from the first day of trading of the Shares on the ASX and will continue until the Directors, at their option, elect to terminate or suspend the operation of the **DRP**.

### Operation

Each cash dividend which is declared on Shares nominated to participate in the **DRP** will be applied, when otherwise payable to the relevant Shareholder, as a subscription for additional Shares. Shares allotted to **DRP** participants will be allotted at the weighted average market price of the Shares sold on the ASX during a period determined by the Directors from time to time, being a period of not less than 5 trading days, discounted by an amount to be determined by the Directors (up to a maximum discount of 10%).

### Ranking

Shares allotted to Shareholders under the **DRP** will rank equally with existing Shares.

## 9.6 THE FREELANCER FOUNDATION SHAREHOLDER PROGRAM

For a limited time, any validly registered user of Freelancer that holds at least 1,000 Shares through a calendar month will, subject to the terms of the Program receive certain Shareholder benefits and rebates for the duration of that month. These benefits and rebates are offered at the discretion of the Company and may be varied or discontinued in accordance with the terms of the



Program. Freelancer reserves the right to alter, amend, cancel or close off new members to the program at any time.

The benefits and rebates that Freelancer will initially offer to qualifying users under the program are:

- a unique Freelancer Foundation Shareholder Badge on their Freelancer.com profile (or other Freelancer site as appropriate);
- priority customer support; and
- a rebate of 5% of project commission fees paid, credited to their Freelancer account.

The Foundation Shareholder Recognition Program is an opportunity for members of the Freelancer global community to own Shares in a service they use and generate income from, and increase their involvement and connection with the platform. Essentially our users are our community and we think providing an opportunity for them to invest in the Company furthers our mission of providing entrepreneurs from around the world with meaningful and long-lasting way to improve their quality of life.

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## 9.7 EMPLOYEE SHARE PLAN

The Company has adopted an Employee Share Plan (**ESP**). The following is a summary of the key terms of the ESP:

- the Board may invite Eligible Employees 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 on or about the time of this Offer, are to be issued at an issue price equal to the Offer Price under this Prospectus. Later invitations are to be made on the basis of the market price per Share defined as the volume weighted average price at which the 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 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.

Freelancer has lodged a full copy of the ESP with ASIC. Information that may be relevant to recipients of the Employee Offer as set out in the ESP includes details of:

- how invitations to apply for ESP Shares are made in clause 4 of the ESP;
- how to accept an invitation and agreement to holding locks on ESP Shares in clause 5 of the ESP;
- the terms of the ESP Loan, including as to repayment, in clause 7 of the ESP;
- adjustments made to the buy-back price on corporate reconstructions in clause 9.2 of the ESP;
- entitlements of ESP Participants to vote, receive notices of meeting and participate in new issues and dividends in respect of, ESP Shares in clauses 9.3 to 9.5 of the ESP;
- restrictions applying to trading of ESP Shares and interests in ESP Shares in clause 9.6 of the ESP;
- how ESP Shares are dealt with in the event that the ESP Participant ceases to be an Eligible Employee in clause 10 of the ESP;
- the ability of Freelancer to buy-back and cancel ESP Shares in clause 11 of the ESP;
- how the ESP terms can be amended in clause 12 of the ESP; and
- how the ESP will be administered and powers of the Board in relation to it in clause 13 of the ESP.

Under section 712 of the Corporations Act, the full terms of the ESP are incorporated by reference into this Prospectus.

The full terms of the ESP are available online at [www.freelancer.com/investor](http://www.freelancer.com/investor). In addition, Freelancer must give, and will give, a copy of the full terms of the ESP free of charge to anyone who asks for it during the Offer Period. Please contact Freelancer via the contact details in the Corporate Directory at the end of this Prospectus if you would like to obtain the full terms of the ESP.



# 9.8

## MATERIAL CONTRACTS

The Directors consider that the material contracts summarised below and elsewhere in this Prospectus are the contracts which an investor would reasonably regard as material and which investors and their professional advisers would reasonably expect to find described in this Prospectus for the purpose of making an informed assessment of the Offer.

The following is a summary only of the material contracts and their substantive terms:

### 9.8.1

#### Underwriting Agreement

Under this agreement, dated 14 October 2013, KTM Capital has agreed with the Company to underwrite the General Offer of 30 million General Offer Shares pursuant to this prospectus. The Underwriter will receive an underwriting commission equal of \$450,000 plus GST. The Underwriter will also receive payment from Freelancer of reasonable costs and expenses incurred by the Underwriter in connection with the General Offer.

The Underwriter may terminate its obligations to satisfy a shortfall if any of the termination events specified in the agreement occur before the Offer Shares are allotted under the General Offer. The termination events are qualified by a requirement that before being entitled to terminate, the Underwriter must believe, on reasonable grounds acting bona fide, that the relevant termination event has or is likely to have a materially adverse effect on the Company or the outcome of the Offer, or could give rise to a material liability of the Underwriter.

Events of termination include (among others):

- ASIC issues a stop order in relation to the Offer;
- the Prospectus is defective;
- a supplementary or replacement prospectus needs to be lodged with ASIC to complete the Offer without contravention of the Corporations Act;
- the Company withdraws the Prospectus or the Offer;
- any person (other than the Underwriter) withdraws its consent to being named in the Prospectus;
- ASX refuses to quote the Offer Shares;
- an unauthorised change to the Company's capital structure takes place;
- an insolvency event takes place in relation to a member of the Group;
- a market fall of 10% or more in the S&P/ASX All Ordinaries Index or the S&P/ASX Small Ordinaries Index takes place and persists for at least 3 consecutive trading days;
- an outbreak or escalation of hostilities or a state of war exists involving Australia, New Zealand, United States of America, the Commonwealth of Independent States or any of its constituent republics, Canada, Japan, Thailand, Singapore, Malaysia, Hong Kong, North Korea or the Republic of China;
- any material adverse change or disruption to the financial markets of Australia, United States of America or other major international financial markets occurs;
- any change occurs in national or international political, financial or economic conditions which would make it impractical, in the reasonable judgement of the Underwriter, to market the Shares or to enforce contracts to purchase the General Offer Shares or is reasonably likely to materially and adversely affect the success of the Offer;
- any new law, regulation or policy which adversely affects, or is likely to adversely affect, the principal business of the Company or capital issues or stock markets generally is introduced or announced by a government or the Reserve Bank of Australia;
- an adverse change takes place in relation to the Company;
- the Company contravenes its constitution or the Corporations Act;
- the Company breaches a material obligation under the agreement;
- a director of the Company is charged with an indictable offence;
- a representation or warranty given by the Company under the agreement or given to the Underwriter is untrue or incorrect in any material respect;
- any of the material contracts summarised in this Section 9.8 are amended or terminated without the Underwriter's prior consent; and
- the Company becomes engaged in any legal proceedings.

The Company has agreed to indemnify the Underwriter, its related bodies corporate and each of their officers, employees and advisers against all losses, liabilities, claims, damages, costs and expenses incurred by them in connection with the Offer (subject to certain exemptions relating to, among other things, any fraud, wilful misconduct, recklessness or negligence by them).



## 9.8.2 Hosting Agreement with Amazon Web Services

Under this contract, Amazon Web Services (**AWS**) provides a hosting platform for Freelancer's website. This contract is important to the Group as an online business. The contract is on AWS standard terms.

AWS can terminate for convenience by giving 30 days' advance notice to Freelancer. In addition, AWS can terminate, with immediate effect, for a broad range of other reasons (by notice to Freelancer), including if AWS suspends any of its services; if AWS's relationship with a third party who provides software or other technology that AWS uses to provide its services expires, terminates or requires AWS to change the way it provides the software or other technology; if AWS believes that providing the services could create a substantial economic or technical burden or material security risk for AWS; and if AWS determines that the provision of any of its services has become impractical or unfeasible for any legal or regulatory reason.

AWS can also immediately suspend some or all of its services (by notice to Freelancer) for various reasons, including if AWS determines that Freelancer's use of the services may adversely impact the service offerings, systems or content of any other AWS customer. Freelancer would seek to replace AWS with another website hosting service provider in the event that its contractual relationship with AWS were to terminate.

## 9.8.3 Payment Facility Agreements with PayPal

Under these contractual arrangements, PayPal Australia Pty Limited (**PayPal**) provides a payment gateway for users to deposit and withdraw funds on Freelancer's website. These contractual arrangements are critical to the Group, as substantial volumes of inbound and outbound transactions take place via PayPal.

The contractual arrangements are substantially on PayPal's standard terms, except in relation to certain supplementary matters (such as the fees payable by Freelancer). In addition, Freelancer is required to give preferential treatment to PayPal as a payment method on its website. For example, there are restrictions on Freelancer setting credit card or any other payment method as the default payment method where PayPal is offered as a payment method, and there are obligations on Freelancer to ensure that no other payment service provider marks are displayed, or payment method offered, which are earlier in the checkout flow than PayPal or more prominent than the PayPal checkout button. The contractual arrangements are ongoing until terminated. PayPal can terminate for convenience by giving 30 days' written notice to Freelancer.

Freelancer would consider replacing PayPal with another payment service provider in the event that its contractual relationship with PayPal were to terminate. However, the risk of termination is partially offset by Freelancer's contractual relationship with Skrill (described below).

## 9.8.4 Payment Facility Agreements with Skrill

Under these contractual arrangements, Moneybookers Limited (**Skrill**) provides another payment gateway for users to deposit and withdraw funds on Freelancer's website.

The contractual arrangements are substantially on Skrill's standard terms, except in relation certain supplementary matters (such as the fees payable by Freelancer). The contractual arrangements are ongoing until terminated. Skrill can terminate for convenience by giving 3 weeks' written notice to Freelancer.

Freelancer would consider replacing Skrill with another payment service provider in the event that its contractual relationship with Skrill were to terminate. However, the risk of termination is partially offset by Freelancer's contractual relationship with PayPal (described above).

## 9.8.5 Payment Facility Agreement with WorldPay

Under this contract, WorldPay (UK) Limited and WorldPay Limited (together, **WorldPay**) provide various services to Freelancer to enable Freelancer to accept card payments on its website. This contract is important to the Group as a means of accepting such payments.

The initial term of the contract expires in May 2016. Thereafter, the contract is ongoing until terminated. WorldPay cannot terminate for convenience before expiry of the initial term. However, after expiry of the initial term, WorldPay can terminate for convenience by giving 2 months' written notice to Freelancer.

In addition, WorldPay can terminate, with immediate effect, for a broad range of other reasons (by written notice to Freelancer), including if something occurs which WorldPay has reasonable grounds to believe may materially adversely affect Freelancer's ability to fully and promptly comply with any of its obligations under the contract (such as a material positive or negative fluctuation month-on-month in transaction volumes or the average value of transactions, a material increase in chargeback levels relative to expected volume or a material deterioration in Freelancer's profits or financial or trading position, in each case, taking into account historical figures and trends including seasonality of sales and yearly sales growth); if Freelancer breaches

any applicable floor limits or trading limits (which are within WorldPay's control to determine); and if something happens or comes to WorldPay's attention that WorldPay, in its reasonable discretion, considers capable of damaging its reputation or that of any card scheme or other financial institution.

The risk of termination is partially offset by Freelancer's contractual relationship with Globalcollect (described below).

### 9.8.6 Payment Facility Agreement with Globalcollect

Under this contract, Global Collect Services B.V. and Global Collect B.V. (together, **Globalcollect**) provide various services to Freelancer to enable Freelancer to accept card payments on its website. This contract is important to the Group as a means of accepting such payments.

The contract automatically renews each year on 16 April, unless terminated earlier. Globalcollect can terminate for convenience by giving written notice to Freelancer 3 months prior to 16 April.

Globalcollect can also immediately suspend some or all of its services (by written notice to Freelancer) for various reasons, including if the integrity or reputation of Globalcollect is materially and negatively impacted by Freelancer; if the number of chargebacks exceeds certain limits (which are outside Freelancer's control to determine); and if Freelancer sells its business or changes its name or the nature of its business without notice to Globalcollect, and this materially and negatively impacts Globalcollect (in its sole discretion). If Freelancer cannot remedy the events leading to the suspension or provide a satisfactory explanation to Globalcollect within 14 days, then Globalcollect can terminate some or all of the suspended services (by written notice to Freelancer).

The risk of termination is partially offset by Freelancer's contractual relationship with WorldPay (described above).

### 9.8.7 Domain Name Licence Agreement

A subsidiary of Freelancer is party to an agreement with Startive Ventures Inc, a company associated with Simon Clausen, under which Startive has granted the subsidiary an exclusive licence to use various domain names for a fee of US\$20,000 for an initial term of one year (from 20 June 2013 to 20 June 2014). Freelancer has the right to purchase the licensed domain names at any time until termination of the Agreement for US\$1,250,000 (using cash, equity, or a combination of both, as agreed between the parties). Freelancer intends to exercise this option.

The Directors who do not have a material personal interest in this agreement, being Matt Barrie and Darren Williams, consider this agreement to be on terms more favourable to the Company than arm's length terms as they consider the value of the licensed domain names, including the future value to the business, to be greater than the purchase price. Member approval to this transaction has not been sought.

## 9.9 RELATED PARTY TRANSACTIONS

As at the date of this Prospectus, the Company is a party to the following transactions with related parties:

- a. each Director of Freelancer has received and continues to receive the benefit of a Deed of Access and Indemnity - see Section 6.3.2 for details;
- b. each Director of Freelancer has received and continues to receive the benefit of a policy of Directors and officers insurance policy - see Section 6.3.2 for details;
- c. Matt Barrie and Darren Williams are executive Directors of the Company and received remuneration for the performance of their executive services and participate in the ESP - see Section 6.3.3 for details;
- d. Simon Clausen is a non-executive Director of the Company and is entitled to Director's fees for acting as such - see Section 6.3.2 for details; and
- e. Startive Ventures Inc, a company associated with Simon Clausen, is party to an agreement with a subsidiary of Freelancer for the licence of, and option to acquire, certain domain names - see Section 9.8.7 for details.

## 9.10 LEGAL PROCEEDINGS

Freelancer is from time to time, party to various disputes and legal proceedings incidental to the conduct of its business. As at the date of this Prospectus, there are no legal proceedings to which Freelancer is a party that it believes are likely to have a material adverse impact on its future financial results and Freelancer is not aware of any such legal proceedings that are pending or threatened.

## 9.11 TAXATION CONSIDERATIONS

The following considerations are for Australian taxpayers only. If you are a taxpayer in another jurisdiction, you should seek professional advice to determine the taxation implications of an investment in Freelancer.

### 9.11.1 Australian taxation considerations

The following tax comments are based on the tax law in Australia in force as at the date of this Prospectus. Australian tax laws are complex. This summary is general in nature and is not intended to be an authoritative or complete statement of all potential tax implications for each investor. During the ownership of the Shares by investors, the taxation laws of Australia or their interpretation may change. The precise implications of ownership or disposal will depend upon each investor's specific circumstances. Investors should seek their own professional advice on the taxation implications of holding or disposing of the Shares, taking into account their specific circumstances.

The following information is a general summary of the Australian income tax implications for Australian resident individuals, complying superannuation entities, trusts, partnerships and corporate investors. These comments do not apply to investors that hold Shares on revenue account, investors who are exempt from Australian income tax or investors subject to the Taxation of Financial Arrangements regime in Division 230 of the Income Tax Assessment Act 1997 which have made elections for the fair value or Reliance on Financial Reports (ROFR) methodologies.

### 9.11.2 Dividends paid on Shares

#### **Australian resident individuals and complying superannuation entities**

Dividends paid by the Company on a Share will constitute assessable income of an Australian tax resident investor. Australian tax resident investors who are individuals or complying superannuation entities should include the dividend in their assessable income (some superannuation funds may be exempt in relation to Shares held to support current pension liabilities) in the year the dividend is paid, together with any franking credit attached to that dividend. Such investors should be entitled to a tax offset equal to the franking credit attached to the dividend. The tax offset can be applied to reduce the tax payable on the investor's taxable income. Where the tax offset exceeds the tax payable on the investor's taxable income, such investors should be entitled to a tax refund.

To the extent that the dividend is unfranked, the investor will generally be taxed at his or her prevailing marginal rate on the dividend received with no tax offset.

#### **Corporate investors**

Corporate investors are also required to include both the dividend and the associated franking credit in their assessable income.

They are then allowed a tax offset up to the amount of the franking credit on the dividend.

An Australian resident corporate investor should be entitled to a credit in its own franking account to the extent of the franking credit on the distribution received. This will allow the corporate investor to pass on the benefit of the franking credits to its own investor(s) on the payment of dividends.

Excess franking credits received cannot give rise to a refund for a company, but can be converted into carry forward tax losses.

#### **Trusts and partnerships**

Investors who are trustees (other than trustees of complying superannuation entities) or partnerships should include the franking credit in determining the net income of the trust or partnership. The relevant beneficiary or partner may be entitled to a tax offset equal to the beneficiary's or partner's share of the net income of the trust or partnership.

#### **Shares held at risk**

The benefit of franking credits can be denied where an investor is not a "qualified person" in which case the investor will not need to include an amount for the franking credits in their assessable income and will not be entitled to a tax offset.

Broadly, to be a "qualified person", two tests must be satisfied, namely the holding period rule and the related payment rule.

Under the holding period rule, an investor is required to hold shares "at risk" for more than 45 days continuously (which is measured as the period commencing the day after the shares were acquired and ending on the 45th day after the shares become ex-dividend) in order to qualify for franking benefits, including franking credits. This holding period rule is subject to certain exceptions, including where the total franking offsets of an individual in a year of income do not exceed \$5,000.

Special rules apply to trusts and beneficiaries.

Under the related payment rule, a different testing period applies where the investor has made, or is under an obligation to make, a related payment in relation to the dividend. The related payment rule requires the investor to have held the shares at risk for the continuous 45 day period as above but within the limited period commencing on the 45th day before, and ending on the 45th day after, the day the shares become ex-dividend.

Investors should seek professional advice to determine if these requirements, as they apply to them, have been satisfied.

### 9.11.3 Disposal of Shares

Most Australian resident investors will be subject to Australian CGT on the disposal of the Shares. Some investors will hold Shares on revenue account, trading stock or under the Taxation of Financial Arrangements regime. These investors should seek their own advice.

An investor will derive a capital gain on the disposal of a particular Share where the capital proceeds received on disposal exceeds the CGT cost base of the Share. The CGT cost base of the Share is broadly the amount paid to acquire the Share plus any transaction/incidental costs.

A CGT discount may be available on the capital gain for individual investors, trustee investors and investors that are complying superannuation entities provided the particular Shares are held for at least 12 months prior to sale. Any current year or carry forward capital losses should offset the capital gain first before the CGT discount can be applied.

The CGT discount for individuals and trusts is 50% and for complying superannuation entities is 33 1/3%. In relation to trusts, the rules are complex, but this discount may be able to be flowed up to beneficiaries of the trust.

An investor will incur a capital loss on the disposal of the particular Shares to the extent that the capital proceeds on disposal are less than the CGT reduced cost base of the Shares.

If an investor derives a net capital gain in a year, this amount is, subject to the comments below, included in the investor's assessable income. If an investor incurs a net capital loss in a year, this amount is carried forward and is available to offset against capital gains derived in subsequent years, subject in some cases to the investor satisfying certain rules relating to the recoupment of carried forward losses.

### 9.11.4 Taxation on issue of Shares under Employee Offer

Division 83A of the ITAA 1997 applies to assess employees on any discount provided on shares under an employee share scheme. However, under the Employee Offer, Eligible Employees are paying full market value for the acquisition of Shares such that there is no 'discount' and therefore, no taxing point on acquisition. In addition, in the event that the Shares fail to 'vest' and are subject to buy-back, there will similarly be no tax consequences for either the Company or the relevant Eligible Employee.

### 9.11.5 Tax file numbers

An investor is not required to quote their tax file number ("TFN") to the Company. However, if TFN or exemption details are not provided, Australian tax may be required to be deducted by the Company from dividends at the maximum marginal tax rate plus the Medicare levy. An investor that holds Shares as part of an enterprise may quote its Australian Business Number instead of its TFN.

### 9.11.6 Stamp duty

No stamp duty should be payable by investors on the acquisition of Shares.

Investors should seek their own advice as to the impact of stamp duty in their own particular circumstances.

### 9.11.7 Australian Goods and Services Tax ("GST")

The acquisition, redemption or disposal of the Shares by an Australian resident (that is registered for GST) will be an input taxed financial supply, and therefore is not subject to GST. No GST should be payable in respect of dividends paid to investors.

An Australian resident investor that is registered for GST will not generally be entitled to claim full input tax credits in respect of GST on expenses they incur that relate to the acquisition or disposal of the Shares (e.g. lawyers' and accountants' fees).

Investors should seek their own advice on the impact of GST in their own particular circumstances.

## 9.12 CONSENTS

The following parties have given their written consent to be named in this Prospectus and for the inclusion of statements made by those parties as described below in the form and context in which they are included, and have not withdrawn such consent before lodgement of this Prospectus with ASIC.

- Watson Mangioni Lawyers Pty Limited has consented to being named as the Australian legal adviser to the Company in relation to the Offer.
- Hall Chadwick has consented to being named as auditors to the Company.
- Hall Chadwick Corporate (NSW) Pty Limited has consented to being named as the Investigating Accountant to the Company.
- Boardroom Pty Limited has consented to being named as the Share registry of the Company.
- KTM Capital Pty Limited has consented to being named as the Underwriter to the Offer.
- Each of Russell John, Timothy W. Roach, Allen Henry Infante Aguilar, Daniel G. Pratidya, Nebojsa Todorovic, Md. Ali Asgar, Krishanu Dutta, Niroshan Sanjeewa Perera and Diego Moliterno has consented to being named as users of the Company's website and the inclusion of the quotes attributed to each of them.

No entity or person referred to above in this Section has made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based, except as stated above. Each of the persons and entities referred to above in this Section has not authorised or caused the issue of this Prospectus, does not make any offer of Shares and expressly disclaims and takes no responsibility for any statements in or omissions from this Prospectus except as stated above in this Section.

## 9.13 GOVERNING LAW

This Prospectus and the contracts that arise from the acceptance of the Applications and bids under this Prospectus are governed by the laws applicable in New South Wales and each Applicant under this Prospectus submits to the exclusive jurisdiction of the courts of New South Wales.

## 9.14 DIRECTORS' AUTHORISATION

This prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors. In accordance with Section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with ASIC.

*Matt Barrie*

Matt Barrie  
For and on behalf of  
Freelancer Limited

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# 10.0

## GLOSSARY



## Niroshan Sanjeev Perera

Video Creator/Editor & Graphic Designer

**"If you are good at what you do then you are presented with lots of opportunities."**

"The thing I love about being a full time freelancer is it doesn't matter who you are or where you come from, but if you are good at what you do then you are presented with lots of opportunities to be a successful freelancer. There are lots of clients and great community. Now I can earn money by doing what I love. Finally, with Freelancer, I can live my life as I wanted with my family. I thank you and wish for a great future together with FREELANCER."



4.7/5.0 rating, 70 reviews,  
Member since March 2010

📍 Colombo, Sri Lanka



Term/Abbreviation	Meaning
<b>\$ or A\$</b>	Australian Dollars;
<b>Applicant</b>	a person who submits an Application;
<b>Application</b>	a valid application to subscribe for a specified number of Offer Shares;
<b>Application Forms</b>	the General Application Form and the Employee Application Form;
<b>Application Monies</b>	monies that are payable in accordance with the terms of the General Offer by an Applicant when submitting an Application;
<b>ASIC</b>	Australian Securities & Investments Commission;
<b>Associate</b>	has the meaning ascribed to that term in the Corporations Act;
<b>ASX</b>	ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited (as the context requires);
<b>AWS</b>	Amazon Web Services;
<b>Board</b>	the board of Directors;
<b>BRW</b>	Business Review Weekly Magazine;
<b>CHESS</b>	Clearing House Electronic Subregister System;
<b>Closing Date</b>	the date on which the Offer closes, and which is expected to be Thursday, 7 November 2013 unless the Directors, in conjunction with the Underwriter, exercise their right to vary that date;
<b>Company or Freelancer</b>	Freelancer Limited (ACN 141 959 042);
<b>Constitution</b>	the constitution of the Company, as amended from time to time;
<b>Corporations Act</b>	the Corporations Act 2001 (Commonwealth);
<b>Directors</b>	the directors of the Company;
<b>Director Shares</b>	the 380,051,977 Shares held by the Directors and their Associates as at the date of this Prospectus (excluding any ESP Shares);
<b>EBIT</b>	earnings before interest and tax;
<b>EBITDA</b>	earnings before interest, tax, depreciation and amortisation;

Term/Abbreviation	Meaning
<b>Eligible Employee</b>	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;
<b>Employee Application Form</b>	the application form which is attached to and forms part of this Prospectus in relation to the Employee Offer;
<b>Employee Offer</b>	the offer of ESP Shares for issue to selected Eligible Employees under this Prospectus;
<b>Employee Offer Shares</b>	5,100,000 Shares being new ESP Shares to be issued by the Company pursuant to the Employee Offer;
<b>EPS</b>	earnings per Share;
<b>ESP or Employee Share Plan</b>	means the employee share plan made available to Eligible Employees as described in Section 9.7;
<b>ESP Loan</b>	has the meaning given in Section 9.7;
<b>ESP Participant</b>	an Eligible Employee who accepts an invitation to apply for ESP Shares in accordance with the ESP;
<b>ESP Share</b>	a Share issued under the ESP (including the Employee Offer Shares);
<b>Existing Shareholder</b>	a holder of a Share as at the date of this Prospectus;
<b>Exposure Period</b>	the period of 7 days commencing on the date of lodgement of the Original Prospectus with ASIC as extended by ASIC by up to a further 7 days;
<b>Historical Financial Information</b>	has the meaning given in Section 4.1;
<b>Financial Information</b>	has the meaning given in Section 4.1;
<b>Financial Year</b>	a year commencing on 1 July and ending on 30 June of the following year;
<b>Forecast Financial Information</b>	has the meaning given in Section 4.1;
<b>Forecast Period</b>	the period from 1 July 2013 to and including 31 December 2013;
<b>FY2010</b>	the financial year ended 31 December 2010;
<b>FY2011</b>	the financial year ended 31 December 2011;
<b>FY2012</b>	the financial year ended 31 December 2012;
<b>FY2013</b>	the financial year ended 31 December 2013;
<b>General Application Form</b>	the application form which is attached to and forms part of this Prospectus in relation to the General Offer;

Term/Abbreviation	Meaning
<b>General Offer</b>	the offer of General Offer Shares for issue to the public under this Prospectus;
<b>General Offer Shares</b>	30,000,000 Shares being new Shares to be issued by the Company pursuant to the General Offer;
<b>Gross Payment Volume</b>	the total payments to Freelancer users for products and services transacted through the Freelancer website plus total Freelancer revenue;
<b>Group</b>	the Company and each of its Subsidiaries;
<b>GST</b>	Goods and Services Tax;
<b>Hall Chadwick Corporate</b>	Hall Chadwick Corporate (NSW) Limited (ACN 080 462 488);
<b>HY2013</b>	the financial half year ended 30 June 2013;
<b>Issue</b>	the issue of Offer Shares to Applicants pursuant to this Prospectus;
<b>IT</b>	information technology;
<b>ITU</b>	International Telecommunications Union;
<b>KTM Capital or Underwriter</b>	KTM Capital Pty Limited (ACN 086 281 950);
<b>Key Best Estimate Assumptions</b>	has the meaning given in Sections 4.1 and 4.3;
<b>Listing Rules</b>	the official Listing Rules of the ASX as amended from time to time;
<b>Market Capitalisation</b>	the Offer Price multiplied by the total number of Shares at completion of the Offer, assuming the Employee Offer is fully subscribed;
<b>Offer</b>	both the General Offer and the Employee Offer;
<b>Offer Period</b>	the period commencing on and including the first day after the expiry of the Exposure Period and ending on and including the Closing Date;
<b>Offer Price</b>	\$0.50 per Share;
<b>Offer Shares</b>	both the General Offer Shares and the Employee Offer Shares;
<b>Official List</b>	the official list of entities that ASX has admitted and not removed;
<b>Official Quotation</b>	official quotation in the market operated by the ASX;



Term/Abbreviation	Meaning
<b>Original Prospectus</b>	the prospectus issued by Freelancer dated 14 October 2013, which was lodged with ASIC on that date and is replaced by this Prospectus;
<b>Payment Gateways or Payment Gateway Providers</b>	the various payment processors used by Freelancer from time to time including but not limited to PayPal, Skrill, WorldPay and Global Collect;
<b>PHP</b>	a server-side scripting language designed for web development but also used as a general-purpose programming language;
<b>Pro-forma Consolidated Statement of Financial Position</b>	has the meaning given in Section 4.1;
<b>Pro-forma Historical Financial Information</b>	has the meaning given in Section 4.1;
<b>Prospectus</b>	this replacement prospectus dated 21 October 2013 replacing the prospectus dated 14 October 2013 as modified or varied by any supplementary prospectus issued by the Company and lodged with the ASIC from time to time;
<b>Share</b>	an ordinary share in the issued capital of the Company;
<b>Share Registry</b>	Boardroom Pty Limited (ACN 003 209 836);
<b>Shareholder</b>	a holder of a Share;
<b>Subsidiary</b>	has the meaning ascribed to that term in the Corporations Act;
<b>Substantial Shareholder</b>	a person/company who holds a relevant interest of 5% or more of the Company's voting rights;
<b>Watson Mangioni</b>	Watson Mangioni Lawyers Pty Limited (ACN 120 091 394).

## Corporate Directory

### Registered Office

Freelancer Limited  
Suite 52, Upper Deck  
Jones Bay Wharf  
26 – 32 Pirrama Road  
Pyrmont NSW 2009  
t: 1300 132 201

### Share Registry

Boardroom Pty Limited  
Level 7  
207 Kent Street  
Sydney NSW 2000  
t: 1300 737 760 (within Australia)  
t: +61 2 9290 9600 (from overseas)

### Auditor

Hall Chadwick  
Level 29, St Martin's Tower  
31 Market Street  
Sydney NSW 2000

### Investigating Accountant

Hall Chadwick Corporate (NSW)  
Limited  
Level 29, St Martin's Tower  
31 Market Street  
Sydney NSW 2000

### Australian Legal Advisor

Watson Mangioni Lawyers Pty  
Limited  
Level 13  
50 Carrington Street  
Sydney NSW 2000

### Underwriter

KTM Capital Pty Limited  
Level 2  
16 O'Connell Street  
Sydney NSW 2000



## Diego Moliterno

Freelance Graphic Designer/Art Director

“It was an honour to work with the Freelancer team to create this prospectus. I am proud to be a part of Freelancer’s historic moment.”



4.9 / 5.0 rating, 378 reviews,

Member since August 2004

📍 San Nicolas, Argentina

