

Appendix 4E

Preliminary Final Report – 30 June 2019

Name of Entity:	CV Check Ltd
ABN:	25 111 728 842
Reporting Period:	Financial year ended 30 June 2019
Previous Reporting Period:	Financial year ended 30 June 2018

This report has been prepared in compliance with ASX Listing Rule 4.3A.

Pursuant to ASX Listing Rule 4.3A, the Company makes the following statement:

The financial statements contained in the Appendix 4E are based on accounts which are in the process of being audited. The company anticipates lodging its Annual Report by the end of September.

Results for announcement to the market

This information should be read in conjunction with the last annual report and any announcements to the market by CV Check Ltd during the year.

Revenue from ordinary activities	Down	1 %	to	\$12,363,970
Loss from ordinary activities after tax attributable to members	Down	57 %	to	(\$1,094,550)
Net loss for the year attributable to members	Down	57 %	to	(\$1,094,550)

Brief explanation of figures reported above

The company's focus on targeting higher quality business customer revenues generated sufficient growth to largely offset the reduction in single transaction individual customer revenues. Reduced marketing expenditures aimed at individual customers coupled with continued stringent expense control saw the loss from ordinary activities fall significantly. As a consequence of these actions, the company produced three consecutive positive cashflow quarters, better positioning the company to accelerate organic growth objectives.

Dividends

No dividends have been paid or declared since the beginning of the current reporting period. No dividends were paid for the previous reporting year.

Net Tangible Assets

	30 June 2019	30 June 2018
Net Tangible Assets	\$1,723,477	\$1,194,811
Shares (No.)	272,977,736	246,067,597
Net Tangible Assets Per Share – (Cents)	0.63	0.49

Loss per Share

	30 June 2019	30 June 2018
Basic loss per share (cents)	(0.42)	(1.03)
Diluted loss per share (cents)	(0.42)	(1.03)

Appendix 4E continued

Control gained over entities

Name of entity	None
Date control gained	Not Applicable
Control of such entities to the reporting entity's profit/(loss) from ordinary activities during the period (where material)	Not applicable

Audit of Accounts

The financial statements contained in the Appendix 4E are based on accounts which are in the process of being audited.

Attachments

CV Check Ltd's Preliminary Final Report for the year ended 30 June 2019.



Rod Sherwood

Chief Executive Officer
Perth

30 August 2019

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Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2019

	Note	Consolidated	
		30 June 2019 \$	30 June 2018 \$
Revenue	2	12,363,970	12,517,024
Other income		39,000	43,824
Interest income		16,704	44,905
Expenses			
Cost of sales		(5,712,362)	(6,122,836)
Director and employee benefits expense		(4,306,575)	(4,690,130)
Depreciation and amortisation expense		(780,187)	(801,837)
Finance costs		(1,232)	(13,899)
Marketing expenses		(1,100,083)	(2,075,328)
Share based payment expense		(194,381)	-
Other expenses		(1,629,126)	(1,557,669)
Loss before income tax		(1,304,272)	(2,655,946)
Income tax benefit		209,722	114,819
Loss for the year attributable to members of CV Check Ltd		(1,094,550)	(2,541,127)
Other comprehensive loss, net of income tax			
Exchange differences arising on translation of foreign operations		91,783	(60,489)
Other comprehensive loss for the year (net of tax)		91,783	(60,489)
Total comprehensive loss for the year attributable to owners of the parent entity		(1,002,767)	(2,601,616)
Basic Loss per Share (Cents per Share)		(0.42)	(1.03)
Diluted Loss per Share (Cents per Share)		(0.42)	(1.03)

The accompanying notes form part of this Preliminary Final Report.

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Statement of Financial Position

AS AT 30 JUNE 2019

	Note	Consolidated	
		30 June 2019 \$	30 June 2018 \$
CURRENT ASSETS			
Cash and cash equivalents		3,122,354	2,395,944
Trade and other receivables		765,657	779,310
Other		288,305	354,487
Total Current Assets		4,176,316	3,529,741
NON-CURRENT ASSETS			
Plant and equipment		195,576	232,111
Intangibles		3,139,816	3,010,046
Other		372,768	519,795
Total Non-Current Assets		3,708,160	3,761,952
TOTAL ASSETS		7,884,476	7,291,693
CURRENT LIABILITIES			
Trade and other payables		2,181,495	2,192,949
Employee benefits		169,153	172,305
Deferred income		518,731	351,628
Finance lease liability		-	56,920
Total Current Liabilities		2,869,379	2,773,802
NON-CURRENT LIABILITIES			
Employee benefits		43,288	18,490
Deferred income		108,516	294,544
Total Non-Current Liabilities		151,804	313,034
TOTAL LIABILITIES		3,021,183	3,086,836
NET ASSETS		4,863,293	4,204,857
EQUITY			
Issued capital	3	24,450,872	22,984,050
Reserves	4	260,367	996,520
Accumulated Losses	5	(19,847,946)	(19,775,713)
TOTAL EQUITY		4,863,293	4,204,857

The accompanying notes form part of this Preliminary Final Report.

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2019

	Issued Capital	Share Payments Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2017	22,984,050	1,639,351	(8,301)	(17,808,627)	6,806,473
Loss for the year	-	-	-	(2,541,127)	(2,541,127)
Exchange differences arising on translation of foreign operations	-	-	(60,489)	-	(60,489)
Total comprehensive loss for the year	-	-	(60,489)	(2,541,127)	(2,601,616)
Transactions with owners in their capacity as owners:					
Shares issued net of issue costs	-	-	-	-	-
Share-based payments (refer note 4)	-	(574,041)	-	574,041	-
Balance at 30 June 2018	22,984,050	1,065,310	(68,790)	(19,775,713)	4,204,857
Loss for the year	-	-	-	(1,094,550)	(1,094,550)
Exchange differences arising on translation of foreign operations	-	-	91,783	-	91,783
Total comprehensive loss for the year	-	-	91,783	(1,094,550)	(1,002,767)
Transactions with owners in their capacity as owners:					
Shares issued net of issue costs	1,466,822	-	-	-	1,466,822
Share-based payments (refer note 4)	-	(827,936)	-	1,022,317	194,381
Balance at 30 June 2019	24,450,872	237,374	22,993	(19,847,946)	4,863,293

The accompanying notes form part of this Preliminary Final Report.

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Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2019

	Note	Consolidated	
		30 June 2019 \$	30 June 2018 \$
Cash flows from operating activities			
Receipts from customers		12,448,602	12,258,877
Payments to suppliers and employees		(12,410,426)	(14,244,970)
Finance costs paid		(1,096)	(6,435)
Interest received		19,399	55,965
Other revenue		-	4,824
Payment of rental bonds		-	(953)
Receipt of income tax refund		189,030	116,288
Net cash flows from/(used in) operating activities		245,509	(1,816,404)
Cash flows from investing activities			
Payment for purchases of plant and equipment		(74,890)	(26,660)
Proceeds from the sale of plant and equipment		50,000	300
Payment for intangible assets		(1,197,987)	(1,052,028)
Payment for acquisition		-	-
Receipt of income tax refund		409,307	479,716
Net cash flows used in investing activities		(813,570)	(598,672)
Cash flows from financing activities			
Net repayments of borrowings		(56,920)	(15,756)
Proceeds from issue of shares		1,447,258	-
Share issue transaction costs		(126,296)	-
Net cash flows from/(used in) financing activities		1,264,042	(15,756)
Net increase/(decrease) in cash and cash equivalents		695,981	(2,430,832)
Cash and cash equivalents at the beginning of the year		2,395,944	4,827,679
Effects of exchange rate changes on the balance of cash held in foreign currencies		30,429	(903)
Cash and cash equivalents at the end of the year		3,122,354	2,395,944

The accompanying notes form part of this Preliminary Final Report.

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Notes to the Preliminary Final Report

Note 1. Statement of significant accounting policies

General Information

CV Check Ltd ("the Company") was admitted to the Official List of the Australian Securities Exchange ('ASX') on 4 September 2015. The Company is incorporated in Western Australia and operates in Australia.

The principal activities of the consolidated entity are services relating to screening and verification checks globally. The financial statements include the consolidated entity comprising CV Check Ltd and its subsidiary.

Basis of Preparation

This preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E. This report is to be read in conjunction with any public announcements made by CV Check Ltd during the reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001 and Australian Securities Exchange Listing Rules.

The preliminary final report of CV Check Ltd and its controlled entity, complies with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. The preliminary final report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Consolidated Entity.

Note 2. Revenue and other income

	Consolidated	
	30 June 2019 \$	30 June 2018 \$
Revenue		
Rendering of services	12,363,970	12,517,024
Other Income		
Other	39,000	43,824
Interest income	16,704	44,905
Total Other Income	55,704	88,729
Total Revenue and Other Income	12,419,674	12,605,753

Notes to the Preliminary Final Report continued

Note 2. Revenue and other income (continued)

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

Consolidated - 2019	Total \$
Major product lines	
Police checks	10,014,816
Non-police checks	<u>2,349,154</u>
	<u>12,363,970</u>
Geographical regions	
Australia	10,564,003
New Zealand	<u>1,799,967</u>
	<u>12,363,970</u>
Timing of revenue recognition	
Services transferred at a point in time	<u>12,363,970</u>

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Notes to the Preliminary Final Report continued

Note 3. Equity – Issued Capital

	Consolidated			
	30 June 2019		30 June 2018	
	No.	\$	No.	\$
Fully Paid Ordinary Shares				
Balance at beginning of year	246,067,597	22,984,050	246,067,597	22,984,050
Shares issued during the year				
Shares issued on 10 July 2018 ¹	639,430	49,308	-	-
Shares issued on 10 July 2018 ²	1,101,009	96,552	-	-
Shares issued on 16 November 2018 ³	23,430,570	1,347,258	-	-
Shares issued on 7 February 2019 ⁴	1,739,130	100,000	-	-
Shares Issued	26,910,139	1,593,118	-	-
Transaction costs relating to share issues (Cash-based)	-	(126,296)	-	-
Transaction Costs	-	(126,296)	-	-
Total Fully Paid Ordinary Shares	272,977,736	24,450,872	246,067,597	22,984,050
Total Issued Capital	272,977,736	24,450,872	246,067,597	22,984,050

¹ Relates to bonus shares issued at A\$0.073 per share to James Sutherland, Managing Director of CVCheck NZ Ltd as the NZ business outperformed agreed revenue targets.

² Relates to bonus shares issued at A\$0.083 to James Sutherland, Managing Director of CVCheck NZ Ltd as the NZ business outperformed agreed revenue targets.

³ Relates to a placement shares at A\$0.0575 per share, announced on 12 November 2018.

⁴ Director placement shares relating to share placement at \$0.0575 per share, announced on 12 November 2018. The issue of the shares to Directors was approved at the General Meeting on 30 January 2019.

Ordinary shares participate in dividends and the proceeds on winding up of the consolidated entity in proportion to the number of and amounts paid on the shares held. At shareholder meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands. The ordinary shares have no par value and the consolidated entity does not have a limited amount of authorised capital.

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Notes to the Preliminary Final Report continued

Note 4. Equity – Reserves

	Consolidated	
	30 June 2019	30 June 2018
	\$	\$
Share-based payments reserve	237,374	1,065,310
Foreign currency translation reserve	22,993	(68,790)
Total reserves	260,367	996,520

Issue of Share Options	Date of Issue	Number of Options	Vesting Conditions
Director/Director's Nominee			
Gusfam Pty Ltd ATF Gusfam Trust (Ivan Gustavino's spouse is the sole director of Gusfam Pty Ltd and Gusfam is a family trust)	13 August 2018	2,500,000	Unlisted options vesting immediately with an exercise price of \$0.15, expiry date of 3 years from the date of issue, being 13 August 2021.
Gusfam Pty Ltd ATF Gusfam Trust (Ivan Gustavino's spouse is the sole director of Gusfam Pty Ltd and Gusfam is a family trust)	13 August 2018	2,500,000	Unlisted options vesting immediately with an exercise price of \$0.25, expiry date of 3 years from the date of issue, being 13 August 2021.
Gusfam Pty Ltd ATF Gusfam Trust (Ivan Gustavino's spouse is the sole director of Gusfam Pty Ltd and Gusfam is a family trust)	13 August 2018	2,500,000	Unlisted options with an exercise price of \$0.15, expiry date of 3 years from the date of issue, being 13 August 2021, and which only vest 12 months from Ivan Gustavino's appointment as Chair of CV Check Ltd, being 13 August 2019, and are subject to his continued tenure in that role.
Gusfam Pty Ltd ATF Gusfam Trust (Ivan Gustavino's spouse is the sole director of Gusfam Pty Ltd and Gusfam is a family trust)	13 August 2018	2,500,000	Unlisted options with an exercise price of \$0.25, expiry date of 3 years from the date of issue, being 13 August 2021, and which only vest 12 months from Ivan Gustavino's appointment as Chair of CV Check Ltd, being 13 August 2019, and are subject to his continued tenure in that role.
Rod Sherwood	12 December 2018	375,000	Executive options exercisable at \$0.068 and expire 3 years from date of issue, being 12 December 2021. Options will vest only if Rod Sherwood remains in the role of CEO as at 30 June 2019 and; the Executive options will vest following the conclusion of the audit of the 2019 financial year (FY19) results and provided FY19 revenue across the CVCheck Group has increased by at least 30% over FY18 revenue ¹ .
Rod Sherwood	12 December 2018	750,000	Executive options exercisable at \$0.068 and expire 3 years from date of issue, being 12 December 2021. Options will vest only if Rod Sherwood remains in the role of CEO as at 30 June 2019 and; the Executive options will vest on cash flow break even across the CVCheck Group being achieved and announced to the market for two consecutive quarters of FY19.
Rod Sherwood	12 December 2018	375,000	Executive options exercisable at \$0.068 and expire 3 years from date of issue, being 12 December 2021. Options will vest only if Rod Sherwood remains in the role of CEO as at 30 June 2019 and; the Executive options will vest on at least 25% of the Company's Australian revenue being derived from products other than police checks in two consecutive months of FY19 ¹ .

¹ The vesting criteria for these options have not been met and they have lapsed.

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Notes to the Preliminary Final Report continued

Note 4. Equity – Reserves (continued)

Nature and purpose of reserves

Share-based payments reserve arises on the grant of performance rights and options to the Chair, management and the Company's corporate advisors.

Foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of a foreign subsidiary.

Share-based payments

No share-based payments were issued during the year ended 30 June 2018.

	Consolidated			
	30 June 2019		30 June 2018	
	No.	\$	No.	\$
Options over fully paid ordinary shares				
Balance at beginning of year	16,083,333	1,065,310	48,905,228	1,639,351
Recognised in income statement	11,500,000	194,381	-	-
Total recognised in income statement	-	-	-	-
Options lapsed	(15,083,333)	(1,022,317)	(32,821,895)	(574,041)
Balance at end of year	12,500,000	237,374	16,083,333	1,065,310

Set out below are the options exercisable at the end of the financial year.

Grant Date	Expiry Date	2019 Number	2018 Number
26-Apr-17	26-May-21	1,000,000	1,000,000
13-Aug-18	13-Aug-21	2,500,000	-
13-Aug-18	13-Aug-21	2,500,000	-
13-Aug-18	13-Aug-21	2,500,000	-
13-Aug-18	13-Aug-21	2,500,000	-
12-Dec-18	12-Dec-21	375,000	-
12-Dec-18	12-Dec-21	750,000	-
12-Dec-18	12-Dec-21	375,000	-
		12,500,000	1,000,000

The weighted average exercise price of the outstanding options as at 30 June 2019 was 19 cents (2018: 45 cents).

The weighted average remaining contractual life of options outstanding at the end of the financial year was 2.12 years (2018: 0.42 years).

Notes to the Preliminary Final Report continued

Note 4. Equity – Reserves (continued)

Share-based payments continued

The value attributed to share options issued is an estimate calculated using an appropriate mathematical formula based on an option pricing model. The choice of models and the resultant option value require assumptions to be made in relation to the likelihood and timing of the conversion of the options to shares and the value of volatility of the price of the underlying shares.

The Black Scholes model was used to determine the estimated fair value of options granted during the year ended 30 June 2019. The following assumptions were used:

Grant Date	Expiry Date	Number	Share price at grant date cents per share	Exercise price cents per share	Expected volatility	Dividend yield	Risk free interest rate	Fair value at grant date cents per share
26-Apr-17	26-May-21	1,000,000	8.8	30	100%	-	2.11%	4.3
13-Aug-18	13-Aug-21	2,500,000	6.9	15	80%	-	2.03%	2.3
13-Aug-18	13-Aug-21	2,500,000	6.9	15	80%	-	2.03%	2.3
13-Aug-18	13-Aug-21	2,500,000	6.9	25	80%	-	2.03%	1.6
13-Aug-18	13-Aug-21	2,500,000	6.9	25	80%	-	2.03%	1.6
12-Dec-18	12-Dec-21	375,000	5.5	6.8	71%	-	1.95%	2.3
12-Dec-18	12-Dec-21	750,000	5.5	6.8	71%	-	1.95%	2.3
12-Dec-18	12-Dec-21	375,000	5.5	6.8	71%	-	1.95%	2.3

Foreign currency translation reserve

Information on the movement of the foreign currency translation reserve is set out below:

	Consolidated	
	30 June 2019	30 June 2018
	\$	\$
Balance at beginning of the year	(68,790)	(8,301)
Exchange difference on translation of foreign operations	91,783	(60,489)
Balance at the end of the year	22,993	(68,790)

Note 5. Equity – Accumulated Losses

	Consolidated	
	30 June 2019	30 June 2018
	\$	\$
Accumulated losses at the beginning of the year	(19,775,713)	(17,808,627)
Options lapsed	1,022,317	574,041
Loss after income tax benefit for the year	(1,094,550)	(2,541,127)
Accumulated losses at the end of the year	(19,847,946)	(19,775,713)

Notes to the Preliminary Final Report continued

Note 6. Controlled Entities

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiary in accordance with the consolidated entity's accounting policy.

Name of Entity	Country of Incorporation	Class of Shares	Equity Holding	
			2019	2018
CV Check (NZ) Ltd	New Zealand	Ordinary	100%	100%

Note 7. Segment Reporting

Primary Reporting Format - Business Segments

The consolidated entity is organised into two operating segments based on geographical locations consisting of Australia and New Zealand.

Identification of reportable operating segments

The operating segments are identified based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

Performance is measured based on segment operating profit. The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

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

Types of products and services

Both the Australian and New Zealand segments' principal products relate to the retailing of screening and verification products.

Intersegment Transactions

Intersegment transactions were made at market rates. The Australian operating segment purchases certain verification and screening products and recharges them to the New Zealand business at market price. Intersegment transactions are eliminated on consolidation.

Intersegment receivables, payables and loans

Intersegment loans are initially recognised at the consideration received. Intersegment loans are eliminated on consolidation.

Major customers

Neither the Australian nor New Zealand segments have a material reliance on a specific customer.

Notes to the Preliminary Final Report continued

Note 7. Segment Reporting (continued)

	Australia \$	New Zealand \$	Intersegment eliminations	Total \$
Consolidated - 30 June 2019				
Revenue				
Sales	10,564,003	1,799,967	-	12,363,970
Other income	339,000	-	(300,000)	39,000
Interest income	16,064	640	-	16,704
Total income	10,919,067	1,800,607	(300,000)	12,419,674
EBITDA				
Depreciation and amortisation	(762,885)	(17,302)	-	(780,187)
Interest income	16,064	640	-	16,704
Finance costs	(1,269)	37	-	(1,232)
(Loss)/Profit before income tax expense	(1,456,077)	151,815	(10)	(1,304,272)
Income tax benefit/(expense)	209,722	-	-	209,722
(Loss)/Profit after income tax expense	(1,246,355)	151,815	(10)	(1,094,550)
Assets				
Segment assets	7,542,629 ¹	1,980,378	(1,638,531)	7,884,476
Total assets				7,884,476
Liabilities				
Segment liabilities	2,748,269	1,910,857 ¹	(1,637,942)	3,021,184
Total liabilities				3,021,184

¹Before elimination of inter-company loans

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Notes to the Preliminary Final Report continued

Note 7. Segment Reporting (continued)

	Australia \$	New Zealand \$	Intersegment eliminations	Total \$
Consolidated - 30 June 2018				
Revenue				
Sales	10,923,121	1,593,903	-	12,517,024
Other income	335,243	3	(291,422)	43,824
Interest income	44,475	430	-	44,905
Total income	11,302,839	1,594,336	(291,422)	12,605,753
EBITDA				
Depreciation and amortisation	(1,968,709)	99,615	(16,021)	(1,885,115)
Interest income	(790,801)	(11,036)	-	(801,837)
Finance costs	44,475	430	-	44,905
	(8,637)	(5,262)	-	(13,899)
(Loss)/Profit before income tax expense	(2,723,672)	83,746	(16,021)	(2,655,946)
Income tax benefit/(expense)	177,297	(62,478)	-	114,819
(Loss)/Profit after income tax expense	(2,546,375)	21,268	(16,021)	(2,541,127)
Assets				
Segment assets	7,117,971 ¹	2,230,726	(2,057,004)	7,291,693
Total assets				7,291,693
Liabilities				
Segment liabilities	2,738,461	2,314,493 ¹	(1,966,118)	3,086,836
Total liabilities				3,086,836

¹Before elimination of inter-company loans

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