Argo Investments Limited

ABN 35 007 519 520

Appendix 4E

Preliminary Final Report
for the year ended 30 June 2018
(previous corresponding period being
the year ended 30 June 2017)

ARGO INVESTMENTS LIMITED ABN 35 007 519 520

RESULTS FOR ANNOUNCEMENT TO THE MARKET
YEAR ENDED 30 JUNE 2018

(Comparative figures being the year ended 30 June 2017)

				Consolidated $A'000
Revenue from operating activities	up	3.4%	to	237,680
Profit for the year	up	3.5%	to	218,918

Dividends

Interim fully franked dividend paid 9 March 2018	15.5 cents
Final fully franked dividend payable 14 September 2018	16.0 cents
Total	31.5 cents

The final dividend includes a 4.0 cents per share LIC capital gain component. The amount of pre-tax attributable gain on this portion of the dividend is 5.71 cents per share, which will allow shareholders to claim a portion of the attributable part as a deduction in their 2018/2019 income tax return. The amount which eligible shareholders may be able to claim as a tax deduction depends on their individual situation. Further detail will be provided in the dividend statement.

The Company's Dividend Reinvestment Plan will operate for the final dividend. The Directors have resolved that the shares will be allotted at a 2.0% discount from the market price of Argo shares, which will be the volume weighted average ex-dividend market price of the shares traded on the record date and the three business days following the record date.

The record date for determining entitlements to the final dividend	27 August 2018
The election date for determining participation in the Dividend Reinvestment Plan	28 August 2018

Previous corresponding period	
Interim fully franked dividend paid 10 March 2017	15.0 cents
Final fully franked dividend paid 15 September 2017	16.0 cents
Total	31.0 cents

Net Asset Backing

Net Tangible Asset Backing per Argo share was $8.16 as at 30 June 2018 compared with $7.71 as at 30 June 2017.

As a long-term equity investor, Argo does not intend to dispose of its long-term investment portfolio. However, if estimated tax on unrealised portfolio gains was to be deducted, the net tangible asset backing per share would be $7.16 as at 30 June 2018, compared with $6.80 as at 30 June 2017.

ARGO INVESTMENTS LIMITED ACN 007 519 520

ASX / Media Release

13 August 2018

Argo raises dividends for sixth successive year

Argo Investments Limited (ASX code: ARG), a major Australian listed investment company (LIC) with net assets of over $5 billion, today announced a full year profit of $218.9 million and a final dividend of 16 cents per share fully franked. This dividend includes 4 cents per share relating to capital profits on investments sold during the year. Most individual and self-managed super fund shareholders can claim a tax deduction relating to these capital gains, in addition to the benefit of franking credits.

Argo's Managing Director, Mr. Jason Beddow, said that the Company was pleased to advise that for the sixth year in a row Argo's annual dividend has been raised, and that the 31.5 cents per share declared this year is another record high for Argo.

Summary of financial results	***2018***	*2017*	*change*
Profit	**$218.9 million**	$211.5 million	+3.5%
Earnings per share	**31.3 cents**	30.7 cents	+2.0%
Final dividend per share	**16.0 cents**	16.0 cents	steady
Full year dividends per share	**31.5 cents**	31.0 cents	+1.6%
Net tangible asset backing (NTA) per share	**$8.16**	$7.71	+5.8%
Number of shareholders	**84,120**	81,445	+2,675
Management Expense Ratio	**0.15%**	0.16%	

Mr. Beddow said "Argo's straightforward and resilient business model continues to produce increasing fully franked dividends and solid capital gains. We keep operating costs low and manage the portfolio in a tax-aware manner to focus on maximising long-term returns to our shareholders."

"Dividend increases from Macquarie Group, BHP Billiton and Rio Tinto boosted our revenue this year, which helped to deliver Argo's highest ever full year dividend" he said.

Argo's Management Expense Ratio, which is a measure of the costs required to run the Company relative to its assets, declined to just 0.15%, which is significantly lower than the cost of most other actively managed investment products.

Investment performance

Despite ongoing geopolitical uncertainty, synchronized economic growth in most regions of the world fuelled another very strong year for equity markets. The Australian market was no exception, although the underlying sector performance varied considerably, with the large banks and Telstra weaker, while Metals & Mining and

Technology rose sharply. Argo holds an underweight position in Metals & Mining, and more particularly the smaller and mid-size resources companies, which contributed to underperforming the benchmark index this year. This positioning is not unusual for Argo due to our general preference for companies that can generate dividend income, and it does sometimes result in underperformance when particular sectors are in favour.

Argo's investment (NTA) performance returned +10.2% after all costs and tax over the year. The share price is trading at a slight discount to NTA and returned +8.1% for the year (+9.9% including franking credits).

Investment portfolio

During the financial year, Argo purchased $259 million of long-term investments. Proceeds of $201 million were received from long-term investment sales. Some of the portfolio sales resulted in substantial capital gains being crystallised, which allowed Argo to include a 4 cents per share LIC capital gain component in its final dividend.

The larger movements in the portfolio during the year included:

Purchases	*Sales*
Boral	BHP Billiton
Event Hospitality & Entertainment	Milton Corporation
Nufarm	Rio Tinto
Oil Search	Wesfarmers
Ramsay Health Care	Westfield Corporation *
Suncorp Group	Woolworths
Tabcorp Holdings	WorleyParsons *
Westpac Banking Corporation	

* Sale of complete position. Westfield Corporation was sold on-market following a takeover offer.

Other holdings exited during the year were Fletcher Building, iSelect, Lex Property Fund (takeover), oOh!media, Motorcycle Holdings, Murray River Organics Group and Programmed Maintenance Services (takeover).

The new stocks introduced to the portfolio were Oil Search, Nufarm, Paragon Care, Bega Cheese and Novonix. We also added to 30 existing holdings. The total number of stocks held reduced by 5 to 93.

Directorate

On 30 June 2018, Mr. Ian Martin AM retired from the Board after 14 years' service, including the last 6 years as Chairman. Mr. Martin is a highly respected figure in the financial services industry and Argo has been fortunate to benefit from his many years of service, strong leadership and significant contribution to Argo.

Mr. Russell Higgins AO, who has been a Non-executive Director since 2011, succeeded Mr. Martin as Chairman of the Board. Ms. Elizabeth Lewin was appointed as a Non-executive Director with effect from 1 July 2018.

Outlook

Domestically, the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry has dominated headlines since the second round of public hearings commenced. The scope and fallout from the Royal Commission is much worse than we or the market may have been expecting, with major repercussions for executive management teams and Boards, reflected by the negative share price reactions in the financial services sector. The current timetable sees a final report of recommendations due in February, which is of particular importance to the Australian listed market due to the large proportion this sector represents.

Compounding the increased regulation and scrutiny for the banks, is the potential slowing of credit growth in the future, due to a combination of tighter lending standards, record household debt and softening house prices.

In Argo's portfolio we look for a balance between the companies with domestic earnings which produce the fully franked dividend streams which we can pass on to our shareholders, and the companies that invest and operate outside Australia which can give us greater diversification beyond the opportunities in the domestic economy. Those companies that succeed overseas can gain a growth pathway into markets which are many multiples of the size of Australia. However, the stronger growth profile in this part of the market has been the focus of many institutional investors, pushing share prices to levels above where we see value.

International economies continue to perform pretty well, with most economic indicators remaining positive, however we are cautious of any further escalation in tariffs or taxes on global trade which would negatively impact global growth.

The US Federal Reserve is likely to continue to lift interest rates throughout 2019 and some of this expectation is already being seen in bond markets, with the US 10-year treasury bond trading at a yield of around 3.0%, a level not seen since 2011. Any acceleration in the pace of interest rate rises in response to higher inflation could be dangerous for asset prices.

"In this environment, with consumer debt high, wage growth low and markets trading at relatively high levels, there is not a lot of margin for error. With this in mind, our cash balances are currently higher than in recent years, reflecting our view that market valuations are relatively high. This will allow us to take advantage of any increase in volatility or uncertainty in markets."

<u>Media contact:</u>
Jason Beddow
Managing Director
02 8274 4702

Consolidated Statement of Profit or Loss

for the year ended 30 June 2018

	Note	2018 $'000	2017 $'000
Dividends and distributions	2	229,899	223,039
Interest		5,373	3,956
Other revenue		2,408	2,840
Total revenue		237,680	229,835
Net gains on trading investments		1,955	4,415
Income from operating activities		239,635	234,250
Administration expenses	3	(8,292)	(8,168)
Finance costs		-	(38)
Profit before income tax expense		231,343	226,044
Income tax expense thereon	4	(12,425)	(14,558)
Profit for the year		218,918	211,486
		cents	cents
Basic and diluted earnings per share	5	31.3	30.7

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2018

	2018 $'000	2017 $'000
Profit for the year	218,918	211,486
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Revaluation of long-term investments	339,850	435,198
Provision for deferred tax expense on revaluation of long-term investments	(103,372)	(131,329)
Other comprehensive income for the year	236,478	303,869
Total comprehensive income for the year	455,396	515,355

Consolidated Statement of Financial Position

as at 30 June 2018

	Note	2018 $'000	2017 $'000
Current Assets			
Cash and cash equivalents	6	108,519	209,483
Receivables	7	123,181	52,521
Investments	8	10,729	9,129
Other financial cash assets	9	120,000	40,000
Total Current Assets		362,429	311,133
Non-Current Assets			
Receivables	7	78	99
Investments	8	5,486,170	5,087,851
Plant and equipment	10	261	275
Total Non-Current Assets		5,486,509	5,088,225
Total Assets		5,848,938	5,399,358
Current Liabilities			
Payables	11	11,299	4,068
Derivative financial instruments	12	7,593	2,987
Current tax liabilities		17,521	27,849
Provisions	13	569	540
Total Current Liabilities		36,982	35,444
Non-Current Liabilities			
Deferred tax liabilities	14	734,653	647,287
Provisions	13	155	113
Total Non-Current Liabilities		734,808	647,400
Total Liabilities		771,790	682,844
Net Assets		5,077,148	4,716,514
Shareholders' Equity			
Contributed equity	15	2,795,816	2,671,527
Reserves	16	1,871,129	1,669,531
Retained profits	17	410,203	375,456
Total Shareholders' Equity		5,077,148	4,716,514

Consolidated Statement of Changes in Equity

for the year ended 30 June 2018

	Contributed Equity $'000 (Note 15)	Reserves $'000 (Note 16)	Retained Profits $'000 (Note 17)	Total $'000
Balance as at 1 July 2017	2,671,527	1,669,531	375,456	4,716,514
Profit for the year	-	-	218,918	218,918
Other comprehensive income	-	236,478	-	236,478
Total comprehensive income for the year	-	236,478	218,918	455,396
Transactions with shareholders:				
Dividend Reinvestment Plan	40,563	-	-	40,563
Share Purchase Plan	84,122	-	-	84,122
Cost of share issues net of tax	(396)	-	-	(396)
Executive performance rights reserve	-	(209)	-	(209)
Dividends paid	-	(34,671)	(184,171)	(218,842)
Total transactions with shareholders	124,289	(34,880)	(184,171)	(94,762)
Balance as at 30 June 2018	2,795,816	1,871,129	410,203	5,077,148

for the year ended 30 June 2017

Balance as at 1 July 2016	2,572,213	1,366,037	372,955	4,311,205
Profit for the year	-	-	211,486	211,486
Other comprehensive income	-	303,869	-	303,869
Total comprehensive income for the year	-	303,869	211,486	515,355
Transactions with shareholders:				
Dividend Reinvestment Plan	39,134	-	-	39,134
Share Purchase Plan	60,458	-	-	60,458
Cost of share issues net of tax	(278)	-	-	(278)
Executive performance rights reserve	-	(375)	-	(375)
Dividends paid	-	-	(208,985)	(208,985)
Total transactions with shareholders	99,314	(375)	(208,985)	(110,046)
Balance as at 30 June 2017	2,671,527	1,669,531	375,456	4,716,514

Consolidated Statement of Cash Flows

for the year ended 30 June 2018

	Note	2018 $'000	2017 $'000
Cash flows from operating activities			
Dividends and distributions received		214,985	218,617
Interest received		5,315	3,519
Other receipts		2,408	2,820
Proceeds from trading investments		26,043	14,478
Payments for trading investments		(21,081)	(18,694)
Other payments		(8,630)	(8,341)
Income tax paid		(38,582)	(1,372)
Net operating cash inflows		180,458	211,027
Cash flows from investing activities			
Proceeds from sale of long-term investments		123,576	206,957
Payments for long-term investments		(230,250)	(151,864)
Proceeds from other financial cash assets		90,000	45,000
Payments for other financial cash assets		(170,000)	(85,000)
Executive share scheme repayments		21	20
Payments for fixed assets		(47)	(9)
Net investing cash (outflows)/inflows		(186,700)	15,104
Cash flows from financing activities			
Proceeds from Share Purchase Plan		84,122	60,458
Cost of share issues		(566)	(399)
Dividends paid – net of Dividend Reinvestment Plan		(178,278)	(169,851)
Net financing cash outflows		(94,722)	(109,792)
Net (decrease)/increase in cash held		(100,964)	116,339
Cash at the beginning of the year		209,483	93,144
Cash at the end of the year	6	108,519	209,483

Notes to the Financial Statements

for the year ended 30 June 2018

1. BASIS OF PREPARATION

The preliminary consolidated financial statements have been prepared in accordance with the measurement and recognition requirements of Australian Accounting Standards, Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Compliance with Australian Accounting Standards ensures that the preliminary consolidated financial statements and notes comply with the measurement and recognition requirements of International Financial Reporting Standards (IFRS).

The accounting policies adopted are consistent with those of the previous financial year.

The preliminary consolidated financial statements incorporate the assets and liabilities of the Company's wholly owned subsidiary Argo Service Company Pty Ltd as at 30 June 2018, and its results for the year then ended. Intercompany transactions and balances between Argo Investments Limited and Argo Service Company Pty Ltd are eliminated on consolidation.

2. DIVIDENDS AND DISTRIBUTIONS

	2018 $'000	**2017** $'000
Received/receivable from:		
Long-term investments held at the end of the year	222,979	212,024
Long-term investments sold during the year	6,920	11,015
	229,899	**223,039**

3. ADMINISTRATION EXPENSES

	2018 $'000	**2017** $'000
Employment benefits	5,484	5,376
Depreciation	61	60
Other	2,747	2,732
	8,292	**8,168**

4. INCOME TAX EXPENSE

	2018 $'000	2017 $'000
(a) Reconciliation of income tax expense to prima facie tax payable:		
Profit before income tax expense	231,343	226,044
Prima facie tax expense calculated at 30% (2017: 30%)	69,403	67,813
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Tax offset for franked dividends	(54,408)	(52,123)
Other	(2,199)	(1,226)
(Over)/under provision in previous year	(371)	94
Income tax expense	**12,425**	**14,558**
(b) Income tax expense composition:		
Charge for tax payable relating to current year	13,669	14,202
(Decrease)/increase in deferred tax liabilities	(873)	262
(Over)/under provision in previous year	(371)	94
	12,425	**14,558**
(c) Amounts recognised directly in other comprehensive income: Increase in deferred tax liabilities	**103,372**	**131,329**

5. EARNINGS PER SHARE

	2018 number '000	2017 number '000
Weighted average number of ordinary shares on issue used in the calculation of earnings per share	698,658	688,734
	$'000	$'000
Profit for the year	218,918	211,486
	cents	cents
Basic and diluted earnings per share	**31.3**	**30.7**

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on deposit with banks (floating interest rates between 1.50% and 1.75% at 30 June 2018; 2017: between 1.0% and 1.5%) and fixed term deposits with banks (fixed interest rates to maturity between 2.48% and 2.70% at 30 June 2018; 2017: 2.30% and 2.46%), maturing within three months from date of deposit.

	2018 $'000	**2017** $'000
Bank deposits	**108,519**	**209,483**

7. RECEIVABLES

	2018 $'000	**2017** $'000
Current		
Dividends and distributions receivable	42,749	40,244
Interest receivable	714	656
Outstanding settlements	79,070	11,231
Other	648	390
	123,181	**52,521**

Receivables are non-interest bearing and unsecured. Outstanding settlements include amounts due from brokers for settlement of security sales and are settled within two business days of the transaction date. None of the receivables are past due or impaired.

	2018 $'000	**2017** $'000
Non-Current		
Executive share plan loans	**78**	**99**

The Executive share plan loans are repaid in accordance with the terms of the superseded Argo Investments Executive Share Plan.

8. INVESTMENTS

	2018 $'000	2017 $'000
Current		
Listed securities at fair value(1)	**10,729**	**9,129**
Non-Current		
Listed securities at fair value(1)	5,484,776	5,082,377
Unlisted securities at fair value(2)	1,394	5,474
	5,486,170	**5,087,851**

(1) The fair value of listed securities is established from the quoted prices (unadjusted) in the active market of the ASX for identical assets in accordance with Level 1 of the fair value measurement hierarchy.

(2) The fair value of unlisted securities is not based on observable market data in accordance with Level 3 of the fair value measurement hierarchy. The Directors have made valuation judgements to determine the fair value of these securities based on cost and the net tangible asset values provided by the responsible entities of the securities.

Reconciliation of changes in unlisted securities valued in accordance with Level 3 of the fair value measurement hierarchy:

	2018 $'000	2017 $'000
Carrying amount at beginning of year	5,474	4,710
Additions	-	644
Disposal	(4,926)	-
Fair value gains recognised in other comprehensive income	846	120
Carrying amount at end of year	**1,394**	**5,474**

There were 720 investment transactions during the financial year. The total brokerage paid on these transactions was $1.7 million.

9. OTHER FINANCIAL CASH ASSETS

	2018 $'000	2017 $'000
Bank term deposits	**120,000**	**40,000**

Other financial cash assets are fixed term deposits with banks (fixed interest rates to maturity between 2.49% and 2.70% at 30 June 2018; 2017: between 2.35% and 2.40%) maturing from three to six months from date of deposit.

10. PLANT AND EQUIPMENT

	2018 $'000	2017 $'000
Plant and equipment at cost	1,114	1,067
Accumulated depreciation	(853)	(792)
	261	**275**
Movements		
Carrying amount at beginning of year	275	326
Additions	47	9
Depreciation	(61)	(60)
Carrying amount at end of year	**261**	**275**

11. PAYABLES

	2018 $'000	2017 $'000
Outstanding settlements	10,243	3,009
Other	1,056	1,059
	11,299	**4,068**

Payables are non-interest bearing and unsecured. Outstanding settlements include amounts due to brokers for settlement of security purchases and are settled within two business days of the transaction date.

12. DERIVATIVE FINANCIAL INSTRUMENTS

	2018 $'000	2017 $'000
Exchange traded options at fair value	**7,593**	**2,987**

The fair value of exchange traded options is established from the quoted prices (unadjusted) in the active market of the ASX for identical assets in accordance with Level 1 of the fair value measurement hierarchy.

13. PROVISIONS

	2018 $'000	2017 $'000
Current		
Provision for employee entitlements	**569**	**540**
Non-Current		
Provision for employee entitlements	**155**	**113**

14. DEFERRED TAX LIABILITIES

	2018 $'000	2017 $'000
The balance comprises temporary differences attributed to:		
Deferred tax liability on unrealised gains on long-term investments	736,330	648,032
Income receivable which is not assessable for tax until receipt	1,582	1,371
Deferred tax asset on unrealised gains on trading investments	(162)	(296)
	737,750	649,107
Offset by deferred tax assets:		
Provisions and payables	(2,837)	(1,619)
Deferred tax on cost of share issues	(260)	(201)
	(3,097)	(1,820)
Net deferred tax liabilities	**734,653**	**647,287**
Movements		
Balance at beginning of year	647,287	536,369
(Credited)/debited to profit or loss	(873)	262
Charged to other comprehensive income	103,372	131,329
Changes to the tax base of investments	(15,133)	(20,673)
Balance at end of year	**734,653**	**647,287**

The amount of net deferred tax liabilities expected to be settled in the next 12 months is $0.8 million (2017: $0.1 million).

15. CONTRIBUTED EQUITY

Ordinary shares rank pari passu, have no par value and entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of the shares held. The Company does not have a limited amount of authorised capital.

	2018 No. of shares	**2017** No. of shares	**2018** $'000	**2017** $'000
Issued and fully paid ordinary shares:				
Opening balance	693,413,478	679,742,854	2,671,527	2,572,213
Dividend reinvestment plan[(a)]	5,201,040	5,296,881	40,563	39,134
Share purchase plan[(b)]	10,702,521	8,373,743	84,122	60,458
Cost of share issues net of tax	-	-	(396)	(278)
Closing balance	**709,317,039**	**693,413,478**	**2,795,816**	**2,671,527**

(a) On 15 September 2017, 2,688,134 shares were allotted at $7.63 per share pursuant to the Dividend Reinvestment Plan in operation for the final dividend paid for the year ended 30 June 2017.

On 9 March 2018, 2,512,906 shares were allotted at $7.98 per share pursuant to the Dividend Reinvestment Plan in operation for the interim dividend paid for the year ended 30 June 2018.

(b) On 11 April 2018, 10,702,521 shares were allotted at $7.86 per share pursuant to the Share Purchase Plan offered to eligible shareholders.

The Company has an on-market share buy-back arrangement in place but it was not activated during the year.

16. RESERVES

	2018 $'000	2017 $'000
Executive Performance Rights Reserve	771	980
Investment Revaluation Reserve	1,619,164	1,423,308
Capital Profits Reserve	251,194	245,243
	1,871,129	**1,669,531**
Movements in reserves during the year		
Executive Performance Rights Reserve		
Balance at beginning of year	980	1,355
Accrued entitlement for unvested rights	941	891
Executive performance shares purchased	(1,150)	(1,266)
Balance at end of year	771	980
Investment Revaluation Reserve		
Balance at beginning of year	1,423,308	1,155,839
Revaluation of long-term investments	339,850	435,198
Provision for deferred tax expense on revaluation of long-term investments	(103,372)	(131,329)
Realised gains on sale of long-term investments transferred to capital profits reserve	(62,311)	(54,700)
Income tax expense thereon	21,689	18,300
Balance at end of year	1,619,164	1,423,308
Capital Profits Reserve		
Balance at beginning of year	245,243	208,843
Dividend paid	(34,671)	-
Transfer from investment revaluation reserve	40,622	36,400
Balance at end of year	251,194	245,243
Total Reserves	**1,871,129**	**1,669,531**

Long-term investments were sold in the normal course of the Company's operations as a listed investment company or as a result of takeovers. The fair value of the investments sold during this period was $200.6 million (2017: $218.2 million). The cumulative profit after tax on these disposals was $40.6 million (2017: $36.4 million), which has been transferred from the investment revaluation reserve to the capital profits reserve.

Nature and Purpose of Reserves

Executive Performance Rights Reserve

This reserve contains the fair value of the short-term incentive (STI) and long-term incentive (LTI) performance rights pursuant to the Argo Investments Limited Executive Performance Rights Plan. When rights are exercised, shares are purchased on market and issued to the executive.

STI performance rights

The values of the STI performance rights are calculated and allocated to each reporting period from the commencement of the performance periods to the vesting dates. The value of the STI performance rights for the current reporting period, which are yet to be issued to participants, has been estimated.

LTI performance rights

The values of the LTI performance rights are calculated at grant dates and allocated to each reporting period from the grant dates to the vesting dates.

Investment Revaluation Reserve

Increments or decrements on the revaluation of long-term investments after provision for deferred capital gains tax are recorded in this reserve.

Capital Profits Reserve

Gains or losses arising from the sale of long-term investments, net of any tax expense or benefit, are recorded in this reserve.

17. RETAINED PROFITS

	2018 $'000	**2017** $'000
Balance at beginning of year	375,456	372,955
Dividends paid	(184,171)	(208,985)
Profit for the year	218,918	211,486
Balance at end of year	**410,203**	**375,456**

18. CAPITAL MANAGEMENT

The Company's objective in managing its capital is to maximise long-term returns to shareholders through a balance of capital and dividend growth from a diversified Australian investment portfolio. This is achieved by the process of providing shareholders with a steady stream of fully franked dividends and enhancement of capital invested, with the goal of paying an increasing level of dividends and providing attractive total returns over the long term.

The Company recognises that its capital will fluctuate in accordance with market conditions and in order to maintain or adjust the capital structure, it may be necessary to vary the amount of dividends paid, issue new shares from time to time or buy back its own shares.

The Company's capital consists of its shareholders' equity and the changes to this capital are shown in the Consolidated Statement of Changes in Equity.

19. DIVIDENDS

	2018 $'000	**2017** $'000
(a) **Dividends paid during the year**		
Final dividend for the year ended 30 June 2017 of 16.0 cents fully franked at 30% tax rate paid 15 September 2017 (2017: 15.5 cents fully franked at 30% tax rate)	110,946	105,360
Interim dividend for the year ended 30 June 2018 of 15.5 cents fully franked at 30% tax rate paid 9 March 2018 (2017: 15.0 cents fully franked at 30% tax rate)	107,896	103,625
Total dividends paid	**218,842**	**208,985**

The final dividend paid contained a listed investment company (LIC) capital gain component of 5.0 cents per share (2017: nil). The interim dividend paid did not contain a LIC capital gain component (2017: nil).

	2018 $'000	**2017** $'000
(b) **Dividend declared after balance date** Since the end of the financial year, the Directors have declared the following dividend which has not been recognised as a liability at the end of the financial year:		
Final dividend for the year ended 30 June 2018 of 16.0 cents fully franked at 30% tax rate payable 14 September 2018 (2017: 16.0 cents fully franked at 30% tax rate)	**113,491**	**110,946**

The final dividend declared will contain a LIC capital gain component of 4.0 cents per share (2017: 5.0 cents).

20. FRANKING ACCOUNT

	2018 $'000	2017 $'000
Balance of the franking account after allowing for tax payable and the receipt of franked dividends recognised as receivables	118,142	105,388
Impact on the franking account of the dividend declared but not recognised as a liability at the end of the financial year	(48,639)	(47,548)
	69,503	**57,840**
The franking account balance would allow the Company to fully frank additional dividend payments up to an amount of	**162,174**	**134,960**

The Company's ability to continue to pay franked dividends is dependent upon the receipt of franked dividends from the investment portfolio and the Company paying tax.

21. LISTED INVESTMENT COMPANY (LIC) CAPITAL GAIN ACCOUNT

	2018 $'000	2017 $'000
Balance of the LIC capital gain account	32,584	38,932
Impact on the LIC capital gain account of the dividend declared but not recognised as a liability at the end of the financial year	(28,373)	(34,671)
	4,211	**4,261**
This equates to an attributable amount of	**6,016**	**6,087**

LIC capital gains available for distribution are dependent upon the disposal of investment portfolio holdings which qualify for LIC capital gains and the receipt of LIC capital gain distributions from LIC securities held in the investment portfolio.

22. FINANCIAL REPORTING BY SEGMENTS

The Company operates in the investment industry predominately within Australia.

The Company is managed as a whole and is considered to have a single operating segment. There is no further division of the Company or internal segment reporting used by the Directors when making strategic, investment or resource allocation decisions.

The Company is domiciled in Australia and derives its revenue from the investment portfolio through the receipt of dividends, distributions, interest and other income. The portfolio is highly diversified, with no single investment accounting for more than 10% of revenue.

There has been no change to the operating segments during the year.

Audit of Accounts

The accounts for the year ended 30 June 2018 are in the process of being audited.