MQB04QW: Whether the valuations on infrastructure investments finances by the bank are:

(a) independently completed?
(b) whether they are completed and/or reviewed annually?
(c) in reference to (b), if they are reviewed by whom?
(d) in reference to (b), if not annually, how often, the trigger, and the average timeframe between review?

Generally, it is only the trading assets that Macquarie actively trades that are regularly revalued and changes in their valuation included within Macquarie's profit and loss. Macquarie's non-trading investment in infrastructure or commercial investments are generally not revalued except when they need to be impaired due to a reduction in their recoverable amount below their carrying value.

The following sections provide more detail on these accounting and valuation practices with reference to the relevant notes and pages in the Macquarie 2019 Annual Report. Macquarie's exposure to infrastructure investments or commercial investments may exist through any of these types of investments or assets.

Interests in associates and joint ventures - (Note 1(ii) page 122) investments where Macquarie has significant influence or joint control but not controlled are equity accounted. These investments are recognised at cost and the carrying value is adjusted for Macquarie's share of the associate's income and changes in equity reserves. The investment is reviewed for impairment if indicators of impairment are identified (Note 1(iv) page 135). Where impairment indicators are identified, the investment's recoverable amount is determined as the greater of its value in use and fair value. Macquarie calculates the value in use and fair value in accordance with the valuation methodology contained within Australian accounting standard AASB128 Investments in Associates and Joint Ventures, AASB13 Fair Value Measurement, and AASB 136 Impairment of Assets. Generally, we do not use external valuations in calculating an asset's recoverable but do consider external and internal information in preparing these valuations. The investment is written down to its recoverable amount if this is less than its carrying amount.

Associates Held for Sale are carried at the lower of cost and fair value, less selling expenses. Estimates of fair value are based on market selling prices if a contract has been entered to sell the asset or internal estimate if no sale contracted at reporting date.

Subsidiaries – (Note 1(ii) page 121) investments are consolidated and the underlying assets and liabilities within the investee are recognised on the MGL consolidated balance sheet and measured in accordance with the relevant accounting standard. The investment in the subsidiary held by MGL parent entity is recorded at cost and only written down where it is impaired (Note 1(iv) page 135). The impairment approach and recoverable amount of an investment subsidiary is calculated in the same manner as an investment in an associate and joint venture as outlined in the previous paragraph. MGL's investment in its subsidiaries eliminates on consolidation.

Financial assets (including loans to infrastructure or commercial investments) – (Note 1(viii) page 127) are classified based on the business model within which the asset is held and on the basis of the financial asset's contractual cash flow characteristics. Debt securities, loans and other financial assets which meet the solely payment of principal and interest (SPPI) test within AASB 9 Financial Instruments are carried at either amortised cost, fair value through other comprehensive income (FVTOCI), or fair value through profit or loss based on the business model that holds the asset.

Impairment provisions (Note 1(xxiii) page 134) are recognised on financial assets carried at amortised cost or FVTOCI based on the application of the expect credit loss model. Equity investments (Note 1(viii) page 127) & Trading assets (Note 1(x) page 129) are investments where MGL has neither control or significant influence. These investments, and any other financial assets where they fail the SPPI test within AASB 9, are carried at fair value with changes in value included within profit and loss.

Fair value of financial assets – (Note 37 page 222-223) Listed equity investments are valued using the quoted price at reporting date. Unlisted equity investments, or other financial assets which are required to be carried at fair value, are valued in accordance with AASB 13 Fair value measurement which requires the use of valuation techniques including the use of discounted cash flow methodology, earnings multiples or comparable transactions (Note 37 page 229). Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them.

Investment property – (Note 1(i) page 109) is recognised at cost and subsequently measured at fair value with changes in value included within profit and loss. Fair value is determined by either internal or external valuations.

Aviation assets (Aircraft and Helicopters) & infrastructure assets – (Note 1(xv) page 132) These are recognised at cost and depreciated over their estimated useful lives. Where impairment indicators are identified the asset's recoverable amount is determined as the greater of its value in use and fair value.

As estimate of the aviation asset's fair value is obtained from external valuations and an internal calculation is performed to estimate the asset's value in use (or fair value for other infrastructure assets) based on external and internal information.

Macquarie's produced financial statements twice a year and these are subject to independent audit (year-end) or review (half year).