



Motu

**Motu Economic and Public Policy Research Trust
and Motu Research and Education Foundation**



ANNUAL REPORT

JULY 2016 – JUNE 2017

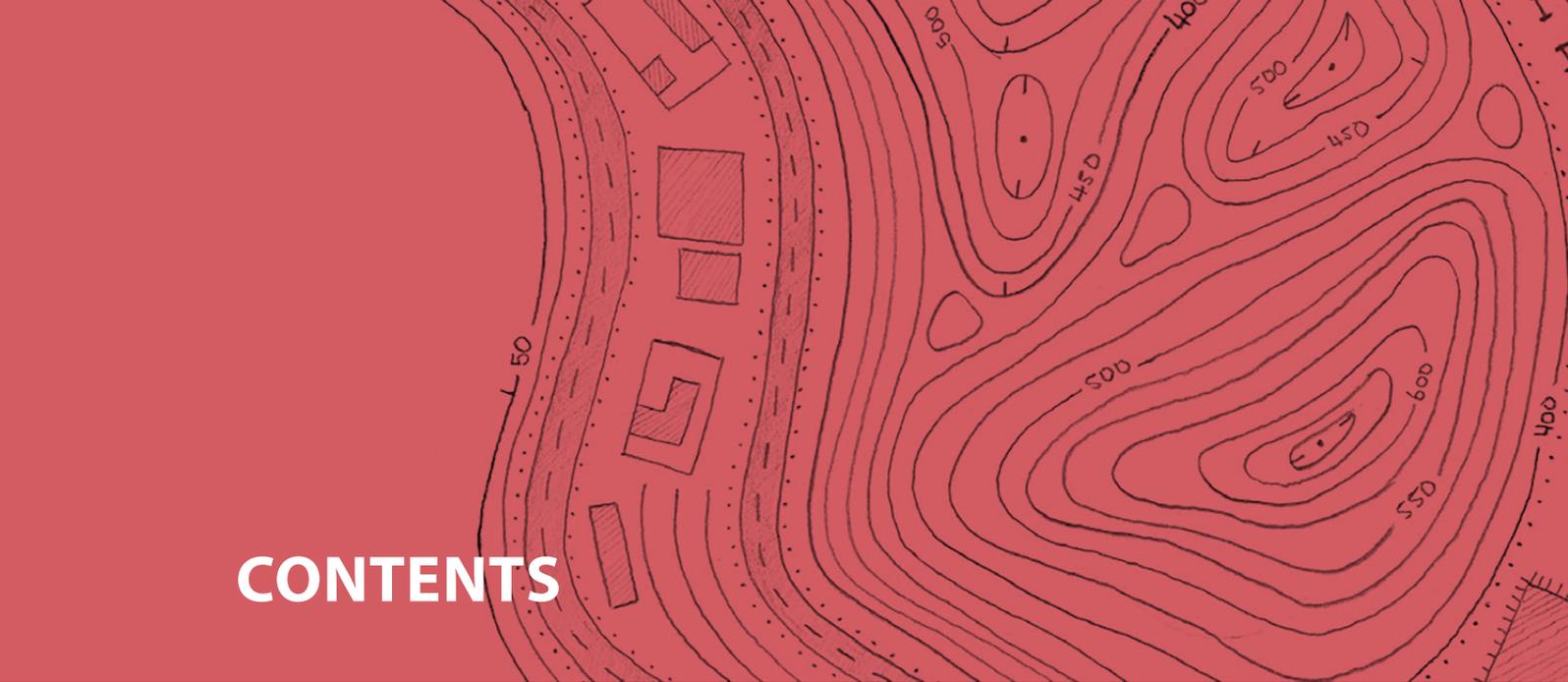
OUR GOALS

PRODUCING HIGH-QUALITY RESEARCH

PROMOTING REASONED DEBATE

DISSEMINATING TOPICAL ECONOMIC
& PUBLIC POLICY RESEARCH





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Motu is unique, ranking in both the top ten economic think tanks and climate change policy organisations internationally. It is also New Zealand's top economic organisation, beating out universities and consultancies alike. Motu staff are energised and propelled by their ability to undertake and disseminate high-quality, independent research, as well as by the opportunity to develop New Zealand's future researchers and economists.

My fellow Board members and the staff at Motu believe that understanding the facts and analysing the economic forces at work can help ensure that policy will work for the long-run wellbeing of New Zealand. Motu's distinctive blend of academic research and policy advice is valued by both government agencies and business. The ongoing, systematic research undertaken by Motu is exceptional in both its quality and its focus, specifically on New Zealand.

In the past year, Motu has continued to produce research informing New Zealand policy, and has increased its staff capability. We have welcomed a new Motu Research Fellow, David Fleming, who is already making a big contribution to New Zealand policy discussions around agricultural economics. David is a Chilean economist who has been working in Australia, and he and his family are an excellent addition to the Motu Whānau.

I am sad to announce that Adam Jaffe, who has been an outstanding Director for Motu and an asset to New Zealand, will be returning to the United States in the New Year. Adam will continue to be affiliated with Motu, but we will miss his daily presence and incisive mind.

This is my final year as Chair of the Motu Board. I feel greatly privileged to have helped steer such an exciting and academically rigorous organisation. I have a huge admiration for the research and small support team, from the Director down. As Chair, I'd like to extend my thanks to all Board members, past and present, with especial thanks to Bruce Wills, who will make an excellent Chair for at least the next three years.

Finally, I want to acknowledge and thank the patron organisations that provide annual funding to support Motu's capacity building and the sponsors who fund our public policy seminars. Their support, and the excellence of the staff, has ensured Motu continues on a stable and sustainable financial path.

Sincerely,

A handwritten signature in dark ink that reads "John Hay". The signature is written in a cursive, slightly slanted style.

John Hay
Chair, Motu Economic and Public Policy Research Trust

1 November 2017



Over the last year, Motu has undertaken an exciting range of important projects. The following examples illustrate their breadth and depth:

- The completion of a Marsden-funded research project that delivered new measures of wellbeing applicable in New Zealand and abroad, while providing further understanding of how public policy affects wellbeing within and across countries.
- Shaping New Zealand's Low-Emission Future, a project to help inform climate change policymaking and private-sector actions, and significantly benefit New Zealand's longer-term development.
- An analysis of the government's '90-day trial period' policy for new employees, which showed that neither the proponents' claims for its employment-enhancing benefits nor its opponents' worries about harm to workers were borne out in the data.
- A number of papers for the Productivity Hub (Treasury; the Ministry of Business, Innovation and Employment; Statistics NZ; and the Productivity Commission) that focused on expanding the use of the microeconomic data held by Statistics NZ to study patterns and causes of productivity in New Zealand firms.
- Work with the National Institute of Water and Atmospheric Research (NIWA) on the economic effects of climate impacts.
- Ongoing work with Te Pūnaha Matatini, a Centre of Research Excellence focused on the characterisation and analysis of complex systems and networks.

Alongside this kind of high-quality research, Motu has created a new group of supporters to aid us in building New Zealand capacity for economic analysis. We envision the Motu Hapū as a group of prominent economists and policy thinkers committed to supporting and extending Motu's capability-building activities. The Motu Hapū was launched in May with the help of David J. Teece, Thomas W. Tusher Professor of Global Business at the Haas School of Business at the University of California, Berkeley, and a Distinguished Fellow of the New Zealand Association of Economists.

The response to David's email has been encouraging, and we look forward to building on this beginning to create a sustainable foundation for our internship programme, which is part of our overall effort to build and sustain New Zealand's economic capabilities. If you would like to make a donation of any amount to support these efforts, we would appreciate it.

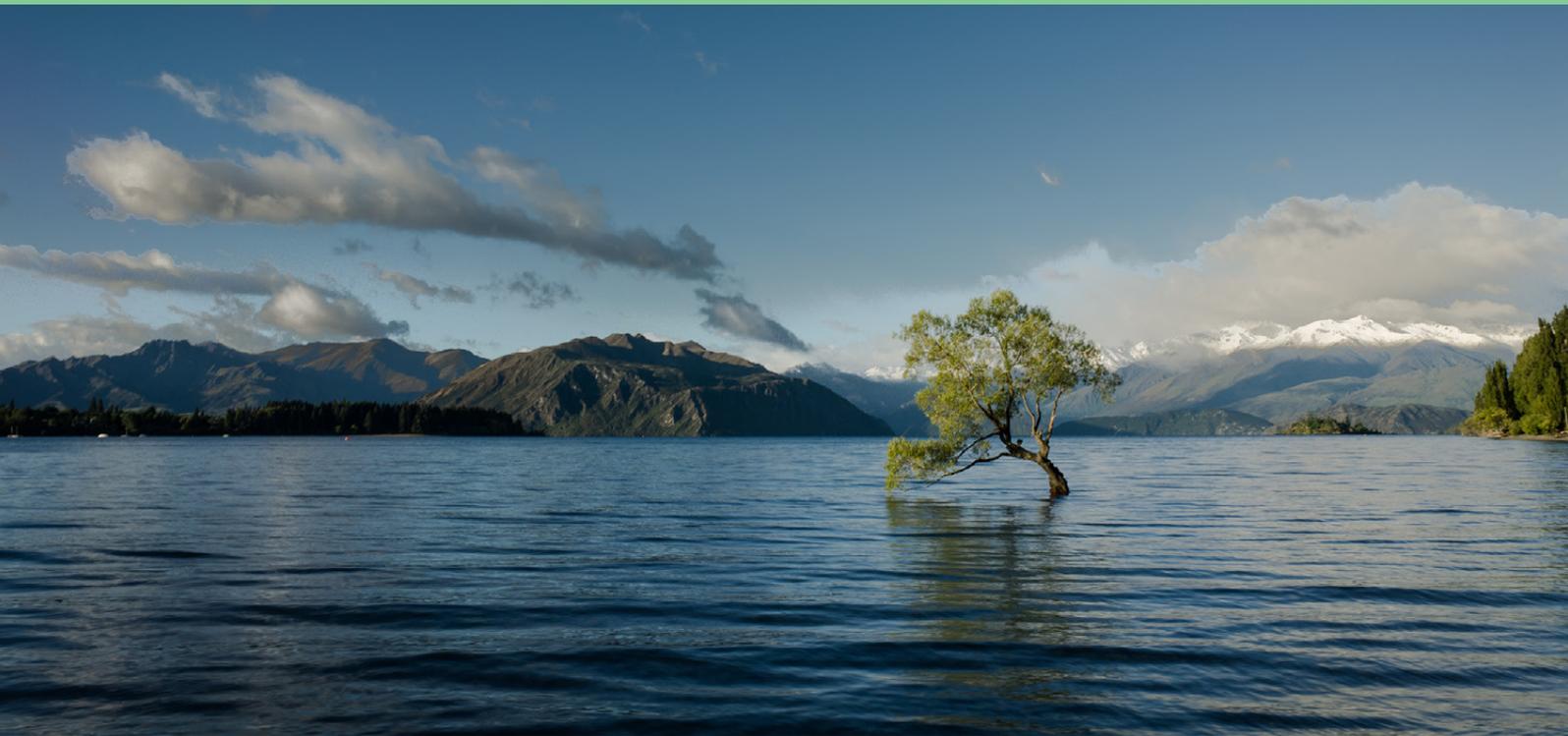
The launch of the Motu Hapū comes at a bittersweet time for me personally, as I have decided to leave Motu and New Zealand to return to my native Boston in 2018. It has been a fabulous four-and-a-half years. My wife and I have loved living in Wellington, and I have seen Motu go from strength to strength: joining in the creation of Te Pūnaha Matatini; adding a new Senior Fellow, a new Fellow, and new Board members; and significantly increasing our presence in the media and public debates. This success reflects the talent and dedication of the Motu staff. I am constantly amazed at how this jewel of an organisation outshines bigger groups. It has been an honour and a privilege for me to be part of this journey. Now, however, it is time for me to hand the baton to a new Director, with whom I look forward to working as I remain an active member of the Motu community.

Sincerely,

A handwritten signature in black ink, appearing to read 'Adam B. Jaffe', written over a light grey horizontal line.

Adam B. Jaffe
Director and Senior Fellow

1 November 2017



In a modest office up an inconspicuous set of stairs on Cuba Street, you'll find a small team of world-class economic and public policy researchers undertaking independent work that directly impacts government policy, and that is lauded and referenced around the world. This is Motu, which was first dreamed up at Harvard University in the early 1990s, when a group of Kiwi graduate students, including Motu Senior Fellows Suzi Kerr and Dave Maré, discussed a vision to return to New Zealand and dedicate themselves full time to independent public policy research. They encountered non-political research institutes in the United States, where cutting-edge research was funded by grants and donations, and wanted to create a New Zealand equivalent – to fill a hole of non-ideological contributions to economics and public policy.

Motu was registered as a charitable trust on 1 September 2000, and in 2002 it was accepted as an affiliate organisation of the Royal Society of New Zealand. It now has almost 20 staff and is the top-ranked research organisation in New Zealand and in the top ten think tanks in the world, according to the RePEc (Research Papers in Economics) website, which ranks all economists and economic research organisations in the world based on the quantity and quality of their research publications. Motu also ranks tenth in the world for climate change work internationally and second for climate think tanks outside of Europe and North America, according to the standardised ranking of the International Center for Climate Governance.

UNDERTAKING HIGH-QUALITY RESEARCH

Since its inception, Motu has developed a sound reputation for its well-informed, well-reasoned and fastidiously researched information on public policy issues. This, combined with its fully independent status (not compromised by any ideology or political position), the experience and qualification of its senior researchers, and its links to a large pool of internationally renowned experts, is the secret to its success.

Motu's five Senior Fellows – all of whom have PhDs from top international universities, as well as extensive public policy experience – work together as a cooperative. Each Fellow and Senior Fellow identifies valuable research questions that they can potentially answer, and finds funding to support their work on these topics, and the running of the organisation as a whole.



BUILDING NEW ZEALAND'S NEXT GENERATION OF RESEARCHERS

Motu offers salaried positions to smart and motivated undergraduates. While graduate positions at other organisations involve fulfilling tasks for their seniors, Motu research assistants (RAs) are encouraged to develop their own analytical skills and author papers alongside Senior Fellows. Motu has now employed 28 RAs and 38 interns, four of whom have gone on to complete economics PhDs from top international graduate schools, and six of whom are currently studying

towards their doctorates. Other former RAs and interns have taken up senior roles at the Treasury, with the Parliamentary Commissioner for the Environment and in other government departments.

Beyond the RA programme, Motu offers summer internships and scholarships, and provides opportunities for Motu researchers to further their own training, while Motu Fellows teach university courses and supervise thesis students.

FREELY DISSEMINATING RESEARCH

One of Motu's guiding principles is its commitment to freely disseminating research findings. It releases full reports and Working Papers that are available to the New Zealand public policy service, economic and public policy researchers, private sector organisations, Māori organisations and non-profit organisations. Motu also releases datasets from its work, so that others can use the research at its most profound level. Motu insists on a clause in every research contract stating that the results of the research will be published publicly, rather than allowing the research funder to decide whether the results will be released or not.

Motu has also undertaken significant new work in communicating information to individual stakeholder groups, often through innovative media. Motu regularly runs dialogue groups to bring together a variety of

viewpoints on a subject, and has created videos and games as a way of demonstrating complex information, for example, to allow participants to assume the role of a farmer or a policymaker during an emissions trading scheme scenario.

To enhance its communications, Motu works to disseminate its Fellows' research through its website, on social media and through subscription-based email. These platforms for enhanced education and outreach present Motu research to the public in a reliable and comprehensible form.



DEEP SOUTH: IMPACTS AND IMPLICATIONS

Motu is conducting work under the Deep South National Science Challenge. The mission of this project is to enable New Zealanders to adapt, manage risk and thrive in a changing climate. Suzi Kerr is the leader of the Impacts and Implications Programme, which is aiming to understand the potential impacts

and implications of climate change for New Zealand to support planning and decision-making, and aid adaptation efforts. A major element of this work is a series of facilitated dialogues where scientists and stakeholders identify research questions relevant to important decisions in New Zealand society.

TE PŪNAHA MATATINI

Te Pūnaha Matatini is a Centre of Research Excellence funded by the Tertiary Education Commission and focused on the characterisation and analysis of complex systems and networks. Te Pūnaha Matatini is studying:

- How innovators in New Zealand are connected to the worldwide innovation network.
- How patterns of innovation and movement of skilled workers affects regional economic growth.
- How cooperation and competition among fishers can give us insight into the ways in which institutions affect society's ability to manage common resources.

“Motu is a key partner in Te Pūnaha Matatini, contributing expertise in economics. Motu’s focus on excellent research with relevance to New Zealand is a perfect fit for what we want to achieve with Te Pūnaha Matatini.”

SHAUN HENDY
DIRECTOR, TE PŪNAHA MATATINI



OTHER RESEARCH

In 2016/17, Motu produced publications showing detailed economic policy work on topics as diverse as:

- The history and impact of the New Zealand Emissions Trading Scheme.
- Wellbeing, including the best predictive measure and the impact of wages and wellbeing on migration.
- Firm productivity, including estimating productivity in different New Zealand cities, the impact of different types of education on productivity, the impact of intangible investment and whether ultrafast broadband increases firm productivity.
- Changes in the greenhouse gas emissions that result from household consumption.
- The longer-term impacts of involuntary job loss for workers.
- Employment misclassification and earnings dynamics and measurement error in matched survey and administrative data.
- Biological emissions from agriculture, including agricultural emissions mitigation in New Zealand and the impact of New Zealand's freshwater reforms.

Motu's work also appeared in many prestigious international journals, including: *NBER Working Papers*, *Applied Economics*, *OECD Business Dynamics and Productivity*, *World Bank Economic Review*, *Economics of Innovation and New Technology*, *Economics Letters*, *Policy Quarterly*, *Environment and Planning*, *International Regional Science Review*, *New Zealand Economic Papers*, *IZA Discussion Papers*, *Journal of Economics and Management Strategy*, *New Zealand International Review*, *Climate Policy*, *Socioeconomic Environmental Policies and Evaluations in Regional Science*, *IZA Journey of Migration*, *Journal of Regional Research/Investigaciones Regionales*, *Journal of Labour Research and Migration Studies*.



Motu is committed to making the results of its research on key issues facing New Zealand accessible to public and private decision-makers and the general public. Our two publication series, the Motu Working Paper series and Motu Notes, are both available free from

our website, motu.nz. Motu Working Papers are technical papers, intended for working economists and other experts, while Motu Notes are less technical and designed to appeal to a general or policy audience. Motu also maintains an online archive of our public datasets.

WORKING PAPERS

17-12 Hyslop, Dean and Wilbur Townsend. 2017. 'The longer term impacts of job displacement on labour market outcomes.'

17-11 Carver, Thomas, Patrick Dawson and Suzi Kerr. 2017. 'Including forestry in an emissions trading scheme: lessons from New Zealand.'

17-10 Daigneault, Adam, Sandy Elliott, Suzie Greenhalgh, Suzi Kerr, Edmund Lou, Leah Murphy, Levente Timar and Sanjay Wadhwa. 2017. 'Modelling the potential impact of New Zealand's freshwater reforms on land-based greenhouse gas emissions.'

17-09 Coleman, Andrew. 2017. 'Housing, the "great income tax experiment", and the intergenerational consequences of the lease.'

17-08 Preston, Kate and Arthur Grimes. 2017. 'Migration and gender: who gains and in which ways?'

17-07 Grimes, Arthur, Judd Ormsby and Kate Preston. 2017. 'Wages, wellbeing and location: slaving away in Sydney or cruising on the Gold Coast.'

17-06 Leining, Catherine, Judd Ormsby and Suzi Kerr. 2017. 'Evolution of the New Zealand Emissions Trading Scheme: linking.'

17-05 Leining, Catherine, Corey Allan and Suzi Kerr. 2017. 'Evolution of the NZ ETS: sectoral coverage and points of obligation.'

17-04 Maré, David C., Trinh Le, Richard Fabling and Nathan Chappell. 2017. 'Productivity and the allocation of skills.'

17-03 Grimes, Arthur and Wilbur Townsend. 2017. 'The effect of fibre broadband on student learning.'

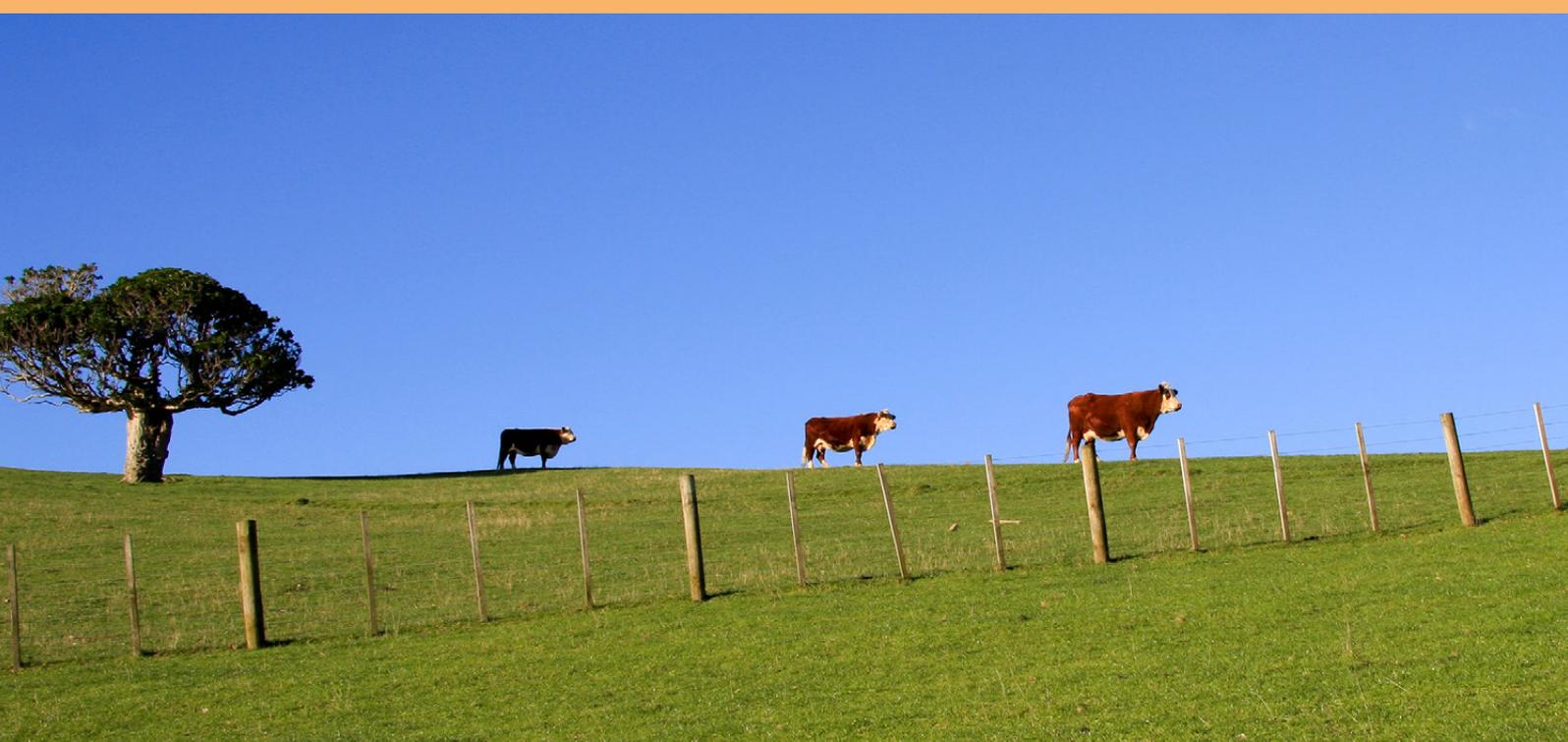
17-02 Alimi, Omoniyi, David C. Maré and Jacques Poot. 2017. 'More pensioners, less income inequality?'

17-01 Carver, Thomas and Suzi Kerr. 2017. 'Facilitating carbon offsets from native forests.'

16-22 Fabling, Richard and Arthur Grimes. 2016. 'Picking up speed: does ultrafast broadband increase firm productivity?'

16-21 Maré, David C. 2016. 'Urban productivity estimation with heterogeneous prices and labour.'

16-20 Allan, Corey and Suzi Kerr. 2016. 'Who's going green? Decomposing the change in household consumption emissions 2006–2012.'



16-19 Hyslop, Dean and Wilbur Townsend. 2016. 'Employment misclassification in survey and administrative reports.'

16-18 Hyslop, Dean and Wilbur Townsend. 2016. 'Earnings dynamics and measurement error in matched survey and administrative data.'

16-17 Hollis, Michele, Cecile de Klein, Dave Frame, Mike Harvey, Martin Manning, Andy Reisinger, Suzi Kerr and Anna Robinson. 2016. 'Cows, sheep and science: a scientific perspective on biological emissions from agriculture.'

16-16 Kerr, Suzi. 2016. 'Agricultural emissions mitigation in New Zealand: answers to questions from the Parliamentary Commissioner for the Environment.'

MOTU NOTES

Motu Note #24 Adam Jaffe. 2017. 'Barriers to adoption of no-cost options for mitigation of agricultural emissions: a typology.'

Motu Note #25 Veronika Meduna. 2017. 'New offset options for New Zealand.'

Motu Note #26 Mark Shepherd, Adam Daigneault, Sandy Elliot, Suzie Greenhalgh, Suzi Kerr, Edmund Lou, Alec MacKay, Leah Murphy, Levente Timar and Sanjay Wadhwa. 2017. 'New Zealand's freshwater reforms: what are the potential impacts on greenhouse gas emissions?'

16-15 Timar, Levente. 2016. 'Yield to change: modelling the land-use response to climate-driven changes in pasture production.'

16-14 Chappell, Nathan and Adam B. Jaffe. 2016. 'Intangible investment and firm performance.'

16-13 Kerr, Suzi and Judd Ormsby. 2016. 'The New Zealand Emissions Trading Scheme de-link from Kyoto: impacts on banking and prices.'

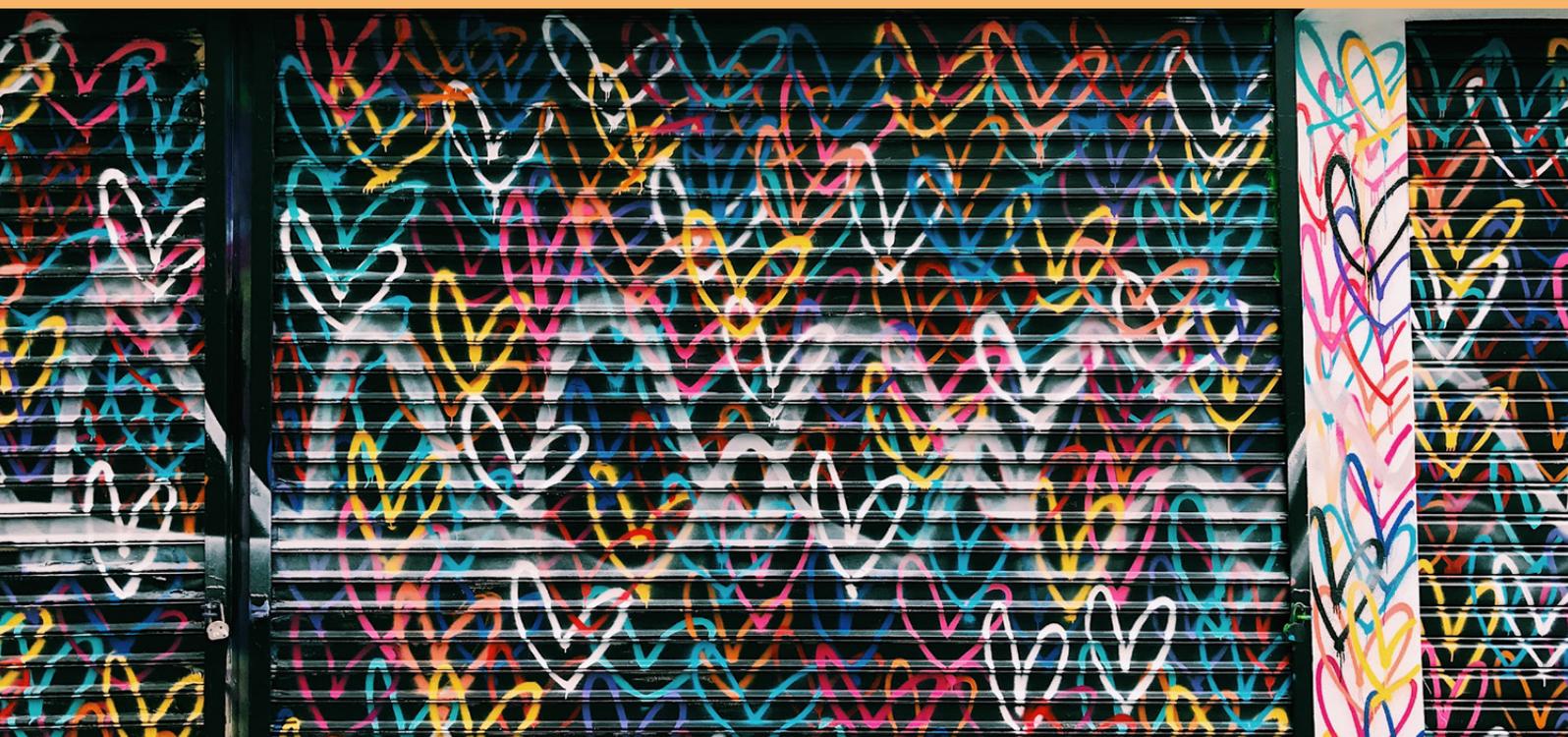
16-12 Carver, Tom and Arthur Grimes. 2016. 'Income or consumption: which better predicts subjective wellbeing?'

16-11 Apatov, Eyal and Arthur Grimes. 2016. 'Higher education institutions and regional growth: the case of New Zealand.'

Motu Note #27 Belinda Storey, Ilan Noy, Wilbur Townsend, Rhian Salmon, David Middleton, Olga Filippova, Vanessa James and Suzi Kerr. 2017. 'Insurance, housing and climate adaptation: current knowledge and future research.'

Motu Note #28 Suzi Kerr, Catherine Leining, Joanna Silver, Phil Brown, Nigel Brunel, Sandra Cortés-Acosta, Stuart Frazer, Adrian Macey, Guy Salmon and Paul Young. 2017. 'An Effective NZ ETS: Clear Price Signals to Guide Low-Emission Investment.'

LIST OF GRANTS



The following is a full list of grants and funding sources (of greater than \$30,000) active during the 2016/17 financial year:

Building Better Homes	BRANZ (NSC 11)	2016–2019	575,000
Te Pūnaha Matatini	Auckland University	2015–2017	220,000
Emissions Trading Scheme research and management	Aotearoa Foundation	2017–2024	152,000
Margins in Earnings Dynamics	Royal Society	2015–2017	147,000
Impacts and Implications – Science Leadership, Impact Workstream, Waste and Stormwater	NIWA (Deep South Challenge)	2017–2018	129,000
No-Cost Mitigation	Ministry of Primary Industries	2016–2018	119,000
Mind the Gap	Royal Society of New Zealand	2015–2017	69,000
Capturing the Diversity Dividend of Aotearoa/New Zealand	University of Waikato	2015–2017	69,000
Climate Impacts, Rural Land, Case Study, RA2 and Resilience	NIWA	2013–2017	59,000
Skilled Migration	Royal Society of New Zealand	2016–2019	51,000
Childbearing and Labour Market Outcomes	Auckland University of Technology	2017	47,000
Review of Agriculture Mitigation Research	Ministry of Primary Industries (SLMACC)	2017–2018	46,000
Policy Advice	Ministry of Business, Innovation and Employment	2016-2017	35,000
People Productivity in Construction Sector	BRANZ	2016–2017	31,000



MOTU RESEARCH AND EDUCATION FOUNDATION

The Motu Research and Education Foundation was established in 2006, with the objective of building capability of economic research and public decision-making. It aims to achieve this by funding and promoting research into public policy issues affecting New Zealand without advocating an ideological or political position.

Specifically, it provides:

- Funding for internships.

- Funding for Māori scholarships.
- Funding for visiting academics to present in New Zealand.
- Seed funding to explore new areas of economic and policy research.

The Motu Foundation is not an operational entity. It doesn't carry out its own research, so in pursuing these objectives it cooperates with a range of people and organisations, particularly Motu Research.

PATRONS AND DONORS – MOTU FOUNDATION

Our activities are funded through generous support from patrons, and other donations. Our patrons are the backbone of the Motu Research and Education Foundation. Their commitment provides an ongoing level of financial support that makes the Foundation's work possible. The Foundation had six patrons during 2016/17:

- Environmental Protection Agency
- Huawei
- Ministry of Business, Innovation and Employment
- Ministry for the Environment
- Ministry of Transport
- Te Puni Kōkiri

In 2017, the Motu Hapū was formed, with David Teece as Patron. The Hapū is a group of prominent economists and policy thinkers committed to supporting and extending Motu's capability-building activities. Hapū members make an annual donation that supports Motu's annual programme of paid summer internships for New Zealand university students.

MOTU ECONOMIC AND PUBLIC POLICY RESEARCH TRUST

SUMMARY GROUP AUDITED ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2017

SUMMARY GROUP STATEMENT OF FINANCIAL PERFORMANCE

	2017	2016
	\$	\$
INCOME		
Research Grants	2,652,110	2,203,862
Interest Received	67,209	63,087
Patron Income and Donations	84,900	43,500
Other Income	32,287	21,410
TOTAL INCOME	2,836,506	2,331,859
LESS EXPENSES		
Personnel	1,447,044	1,486,860
Research Project Costs	864,569	442,028
Other Operating Expenses	293,504	308,490
TOTAL OPERATING EXPENSES	2,605,117	2,237,378
SURPLUS	231,389	94,481
OTHER EXPENSES		
Senior Fellow Research Accounts	32,241	23,806
TOTAL EXPENSES	2,637,358	2,261,184
NET SURPLUS	199,148	70,675

SUMMARY GROUP STATEMENT OF MOVEMENTS IN EQUITY

	2017	2016
	\$	\$
Net Surplus for the Year	199,148	70,675
Total Recognised Revenues and Expenses	199,148	70,675
Opening Equity	<u>1,613,602</u>	<u>1,542,927</u>
Closing Equity	1,812,750	1,613,602
SENIOR FELLOW RESEARCH RESERVE		
Opening Senior Fellow Research Reserve	188,009	212,549
Transfers from/(to) Accumulated Funds	91,619	(734)
Expenses Funded by Reserve	(32,241)	<u>(23,806)</u>
Closing Senior Fellow Research Reserve	247,387	188,009
ACCUMULATED FUNDS		
Opening Accumulated Funds	1,425,593	1,330,378
Net Surplus/(Deficit) for the Year	199,148	70,675
Net Transfers (to)/from Senior Fellow Research Reserve	<u>(59,378)</u>	<u>24,540</u>
Closing Accumulated Funds	1,565,363	1,425,593

SUMMARY GROUP STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 JUNE 2017

	2017	2016
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
RECEIPTS		
Research Grants	3,193,144	2,333,109
Patron Income and Donations	89,900	33,500
Other Income	<u>94,907</u>	<u>148,366</u>
	3,377,951	2,514,975
PAYMENTS		
Personnel	1,446,644	1,501,732
Research Project Costs	1,039,976	585,046
Premises Rental Costs	90,000	90,000
Audit Fees	12,813	17,645
Senior Fellow Research Account Expenses	22,110	21,507
Other Operating Expenses	<u>152,871</u>	<u>161,548</u>
	2,764,414	2,377,478
Net GST (Paid)/Received	(3,983)	(38,670)
Net cash flows from operating activities	609,554	98,827
CASH FLOWS FROM INVESTING ACTIVITIES		
RECEIPTS		
Interest Received	74,848	58,089
Loan Repayments	-	3,000
Withdrawal of Term Deposits	<u>657,829</u>	<u>1,271,865</u>
	732,677	1,332,954
PAYMENTS		
Investment in Term Deposits	1,099,577	1,441,500
Purchase of Fixed Assets	<u>27,233</u>	<u>23,617</u>
	1,126,810	1,465,117
Net cash flows from investing activities	(394,133)	(132,163)
Net Increase/(Decrease) in Cash and Cash Equivalents	215,421	(33,336)
Cash and Cash Equivalents at 1 July	143,203	176,539
Cash and Cash Equivalents at 30 June	358,624	143,203

SUMMARY GROUP STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

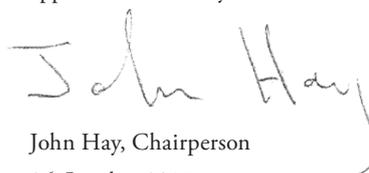
	2017 \$	2016 \$
CURRENT ASSETS		
Cash and Bank	358,624	143,203
Investments	2,153,249	1,711,500
Accounts Receivable	394,378	415,216
Work in Progress	<u>135,380</u>	<u>45,432</u>
Total Current Assets	3,041,631	2,315,351
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	327,493	331,126
Income Received in Advance	<u>953,803</u>	<u>448,511</u>
Total Current Liabilities	1,281,296	779,637
WORKING CAPITAL	1,760,335	1,535,714
NON-CURRENT ASSETS		
Plant, Property & Equipment	52,415	69,526
Accounts Receivable	-	<u>8,362</u>
Total Non-Current Assets	52,415	77,888
NET ASSETS	1,812,750	1,613,602
Represented by:		
Accumulated Funds	1,565,363	1,425,593
Senior Fellow Research Reserve	247,387	188,009
EQUITY	1,812,750	1,613,602

NOTE TO THE SUMMARY GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

The summary financial statements for Motu Economic and Public Policy Research Trust for the year ended 30 June 2017 on pages 12 to 15 have been extracted from the full financial reports. The full financial reports were adopted by the Board of Trustees on 26 October 2017. The full financial statements were prepared in accordance with New Zealand generally accepted accounting practice ("NZ GAAP"). For the purposes of complying with NZ GAAP, the Trust is a public benefit entity and is eligible to apply Tier 2 Not-For-Profit Public Benefit Entity International Public Sector Accounting Standards on the basis that it does not have public accountability and it is not defined as large. These summary financial statements comply with PBE standards as they relate to summary financial statements.

The summary financial statements cannot be expected to provide as complete an understanding as provided by the full financial reports. A copy of the full financial reports can be obtained by email to: finance@motu.org.nz.

The auditor KPMG Wellington has examined the summary financial statements for consistency with the audited full financial statements. An unmodified audit opinion has been issued. These summary financial statements have been approved for issue by the Board of Trustees.



John Hay, Chairperson
26 October 2017



Independent Auditor's Report

To the trustees of Motu Economic Public Policy Research Group

Report on the summary group financial statements

Opinion

In our opinion, the accompanying summary group financial statements of Motu Economic Public Policy Research Trust and its subsidiary (the group) on pages 1 to 3:

- i. Has been correctly derived from the audited group's financial statements for the year ended on that date; and
- ii. Is a fair summary of the group financial statements, in accordance with the basis as described in note 1.

The accompanying summary group financial statements comprises:

- the summary statement of financial position as at 30 June 2017;
- the summary statements of financial performance, movements in equity and cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

We conducted our audit in accordance with International Standard on Auditing (New Zealand) (ISA (NZ)) 810 (Revised), *Engagements to Report on Summary Financial Statements*.

Other than in our capacity as auditor we have no relationship with, or interests in, the group.



Use of this Independent Auditor's Report

This report is made solely to the trustees as a body. Our audit work has been undertaken so that we might state to the trustees those matters we are required to state to them in the Independent Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the trustees as a body for our audit work, this report, or any of the opinions we have formed.



Responsibilities of the Trustees for the Summary Group Financial Statements

The Trustees, on behalf of the trust, are responsible for:

- the preparation and fair presentation of the summary group financial statements in accordance with the basis as described in note 1; and
- implementing necessary internal control to enable the preparation of a summary group set of financial statements that is correctly derived from the audited group financial statements.



Auditor's Responsibilities for the Summary Group Financial Statements

Our responsibility is to express an opinion on whether the summary group financial statements are consistent, in all material respects, with (or are a fair summary of) the audited group financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (New Zealand) (ISA (NZ)) 810 (Revised), *Engagements to Report on Summary Financial Statements*.

We expressed an unmodified audit opinion on the group financial statements in our audit report dated 26 October 2017.

The summary group financial statements do not contain all the disclosures required for a full set of group financial statements under generally accepted accounting practice in New Zealand. Reading the summary group financial statements, therefore, is not a substitute for reading the audited financial statements of the group.



KPMG
Wellington

26 October 2017

STAFF

Senior Fellows: Adam B. Jaffe, Arthur Grimes, David C. Maré, Dean Hyslop, Suzi Kerr.

Fellows: David Fleming, Isabelle Sin, Levente Timar, Trinh Le.

Policy Fellows: Anne-Marie Brooke, Catherine Leining.

Research analysts: Corey Allan (to July 2016); Edmund Lou (from November 2016); Eyal Apatov (to September 2016); Hannah Tuahine (from March 2017); Kate Preston, Nathan Chappell, Sally Owen (from March 2017); Wilbur Townsend (to June 2017).

Support staff: Grant Coppersmith, Ceridwyn Roberts, Clare O'Connor (to April 2017), Michelle Lee (from May 2016), Maxine Watene.

MOTU EDUCATION AND RESEARCH FOUNDATION BOARD OF TRUSTEES

Jo Wills (Chair), Adam B. Jaffe, John Roberts, Kerry Prendergast, Michael Potts (from October 2016).

MOTU ECONOMIC AND PUBLIC POLICY RESEARCH BOARD OF TRUSTEES

John Hay (Chair to October 2017), Adam B. Jaffe, Arthur Grimes, Bruce Wills, Horia Irwin-Easthope (to March 2017), Lesley Haines, Paul Reynolds, Peter O'Shea, Stephen Goldson, Jo Wills.

AFFILIATES

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