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# JUNIOR OILS TRUST

## FINAL REPORT AND AUDITED FINANCIAL STATEMENTS

for the year ended 31 August 2020

## **JUNIOR OILS TRUST**

### **CONTACT INFORMATION**

#### **Authorised Fund Manager and Registrar**

Marlborough Fund Managers Ltd  
Marlborough House  
59 Chorley New Road  
Bolton  
BL1 4QP

Investor Support: (0808) 145 2500 (FREEPHONE)

Authorised and regulated by the Financial Conduct Authority.

#### **Trustee**

HSBC Bank plc  
8 Canada Square  
London  
E14 5HQ

Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

#### **Investment Adviser**

Sector Investment Managers Limited  
Level 1  
Devonshire Road  
One Mayfair Place  
London  
W1J 8AJ

Authorised and regulated by the Financial Conduct Authority.

#### **Auditor**

Ernst & Young LLP  
Atria One  
144 Morrison Street  
Edinburgh  
EH3 8EX

#### **Directors of Marlborough Fund Managers Ltd**

Andrew Staley (Non-Executive)  
Nicholas F J Cooling  
Allan Hamer  
Wayne D Green  
Dom Clarke  
Helen Derbyshire  
Richard Goodall  
Geoffrey Hitchin (Non-Executive)  
Guy Sears (Independent Non-Executive)  
David Kiddie (Independent Non-Executive)  
Sarah Peaston (Independent Non-Executive)

## **JUNIOR OILS TRUST**

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## JUNIOR OILS TRUST

### AUTHORISED INVESTMENT ADVISER'S REPORT

for the year ended 31 August 2020

The following table shows the performance of the Fund to 11 May 2020, which was the last valuation point and dealing day before the winding up of the Trust commenced.

	<u>Six months</u>	<u>1 year</u>	<u>3 years</u>	<u>5 years</u>	<u>* 21.09.2004</u>
Junior Oils Trust	-42.77%	-51.33%	-56.68%	-66.93%	-62.80%

\* Since end of launch period.

External Source of Economic Data: Morningstar (P - bid to bid, net income reinvested). P units first priced on 13 December 2013. In the period to that date, past performance information for A units has been used.

Oil markets traded sideways at best for most of 2019 as production growth out of North America overtook demand growth primarily from China, India and other faster growing economies. The year 2020 started with extreme unrest in the Middle East with the killing of general Suleimani of Iran, developments that raised fears of supply disruption from some of the world's most productive regions. Nevertheless, the dramatic spread of the viral epidemic emanating out of China upended all forecasts by imposing lock-downs across the world.

The World Health Organisation has declared the Covid-19 viral infection a pandemic. As China appears to have arrested the spread of infection by extreme restrictions on social contact in certain areas, the rest of world struggles to prevent the spread of the disease that has inundated health care services. It is becoming clear that the world is sliding into an economic recession as disruption in supplies slows manufacturing and consumers stay at home, only spending on essentials. The freight and air transport sectors are being hit hard and demand for oil, which is primarily used for transportation fuels, has plummeted. Saudi Arabia was initially encouraging other Opec members and Russia to act by cutting production in an effort to balance the market. In response to Russia's refusal, the cartel's de-facto leader decided to "punish" Russia by increasing its production to the maximum thereby causing a more than 30% drop in crude prices. It seems that the intention of both Russia and Saudi Arabia is to deal a significant blow to the US shale industry and inhibit the growth in its production.

This miscalculated and ill-conceived strategy is unlikely, in our view, to succeed. Whilst it is true that shale operators rely on higher prices to sustain production and finance it profitably, most have hedged materially for the next 6-18 months. It would take a prolonged price weakness to cause a substantial rise in defaults and, in the meantime, both Saudi and Russian state budgets would suffer significantly. Even if a prolonged low-price environment caused a large drop in US production, it would recover quickly once prices rose again. It is likely that the question will soon become whether it is preferable to Opec+Russia members to gain market share with weak fundamentals or face a popular revolt as their social programmes get curtailed. This will also become a more pressing matter in the face of dealing with the consequences of the spreading pandemic.

In the short-term, however, the outlook for all oil companies has become extremely strained and most have already dramatically revised down capital spending plans and cut dividend payments. As North American unconventional operators are the most price elastic, the drop in production will be swift but they also retain an ability for the quickest response to the commodity's price recovery. In the meantime, oil equities have been hit hard across the board. Under the circumstances, patience and perseverance is a sensible strategy for holdings in the sector. As governments and central banks seek to stimulate a flagging economy, capital spending would support demand for oil over the medium term. When the world finally deals with the pandemic it will be back to work as before but it is currently uncertain as to when this might be possible.

In this environment, which is likely to be sustained for the foreseeable future, the oil and gas exploration and production companies are likely to suffer material losses and potential defaults or corporate recapitalisations impacting shareholder value. Whilst there may be opportunities in a small number of resilient corporates for longer-term recovery, the potential for losses from general exposure to the smaller capitalization segment is expected to make it extremely challenging to manage. The Junior Oils Trust lost 20.5% in the period from 1 March to its final trading day on 11 May. The portfolio was liquidated during the following four trading days and all capital was returned to unitholders with one single payment on 22 May 2020.

Angelos Damaskos  
Sector Investment Managers Limited

## JUNIOR OILS TRUST

### AUTHORISED INVESTMENT ADVISER'S REPORT

for the year ended 31 August 2020

#### Portfolio changes

Largest purchases	Cost (£)	Largest sales	Proceeds (£)
Cenovus Energy	224,661	Cooper Energy	524,553
Surge Energy	199,410	MEG Energy	496,636
Whitecap Resources	196,168	Africa Oil	333,455
Kelt Exploration	173,718	Carnarvon Petroleum	285,028
Husky Energy	171,281	Advantage Oil & Gas	240,924
Freehold Royalties	167,629	Strike Energy	233,858
PrairieSky Royalty	166,687	Parkmead Group (The)	205,612
Australis Oil & Gas	157,347	Amerisur Resources	189,914
Vermilion Energy	96,082	Wentworth Resources	174,769
MEG Energy	78,823	Birchcliff Energy	172,401
Other purchases	252,212	Other sales	2,779,691
Total purchases for the year	1,884,018	Total sales for the year	5,636,841

## **JUNIOR OILS TRUST**

### **AUTHORISED STATUS AND GENERAL INFORMATION**

#### **Authorised status**

Junior Oils Trust (the Trust) is an authorised unit trust scheme within the meaning of the Financial Services and Markets Act 2000 and is a UCITS scheme operating under the Collective Investment Schemes Sourcebook (COLL) as issued by the Financial Conduct Authority.

#### **Investment objective and policy**

The investment objective of the Trust is to provide capital growth, that is, to increase the value of your investment, by investing in small and medium sized companies which specialise in oil and gas exploration and production. At least 80% of the Trust will be invested in the shares of these companies. The Trust may also invest in bonds issued by companies operating in this sector.

The companies that the Trust invests in operate in a range of jurisdictions, however the investment manager will avoid companies with substantial operational exposure to politically unstable regions.

The investment manager aims to invest in those companies with major new discoveries and active drilling programmes. A strong balance sheet and experienced management are also key considerations.

The Trust is actively managed, which means the investment manager decides which investments to buy or sell and when.

The Trust may hold up to 20% in cash to enable the ready settlement of liabilities, for the efficient management of the Trust and in pursuit of the Trust's objectives.

#### **Rights and terms attaching to each unit class**

A unit of each class represents a proportional entitlement to the assets of the Trust. The allocation of income and taxation and the rights of each unit in the event the Trust is wound up are on the same proportional basis.

#### **Winding up of the Trust**

The proposed winding up the Trust by the Authorised Fund Manager (AFM), for the reasons detailed below, was approved by the Financial Conduct Authority on 25 March 2020.

The Trust was too small to be economically viable and had experienced a prolonged period of poor performance due, primarily, to the nature of its investment universe (being small and early stage oil companies), which had not delivered good returns for investors generally. As a result, the AFM considered that the Trust was not economically viable for investors and would not become economically viable in the foreseeable future.

A letter of notification and further information was sent to unitholders on 9 April 2020, and is also on our website - [www.marlbroughfunds.com](http://www.marlbroughfunds.com)

The closure of the Trust commenced after the last valuation point of the Trust on 11 May 2020 and the capital repayment was sent to unitholders on 22 May 2020.

## JUNIOR OILS TRUST

### AUTHORISED STATUS AND GENERAL INFORMATION

#### Remuneration policy

In line with the requirements of UCITS V, Marlborough Fund Managers Ltd is subject to a remuneration policy which is consistent with the principles outlined in the European Securities and Markets Authority guidelines on sound remuneration policies under UCITS V. The remuneration policies are designed to ensure that any relevant conflicts of interest can be managed appropriately at all times and that the remuneration of its senior staff is in line with the risk policies and objectives of the UCITS funds it manages.

The quantitative remuneration disclosures as at 30 September 2019 are set out below:

	Number of identified staff	Total remuneration paid	Fixed remuneration paid	Variable remuneration paid
		£	£	£
<b>Remuneration paid to staff of the Authorised Fund Manager (AFM) who have a material impact on the risk profile of the Fund</b>				
Senior management	9	741,229	551,303	189,926
Risk takers and other identified staff	3	101,262	85,234	16,028
<b>Allocation of total remuneration of the employees of the AFM to the Fund</b>				
Senior management	0.01	801	596	205
Risk takers and other identified staff	0.01	109	92	17

The total number of staff employed by the AFM was 172 as at 30 September 2019. The total remuneration paid to those staff was £7,294,016, of which £3,707,059 is attributable to the AFM.

The allocation of remuneration to the AFM is based on Assets Under Management (AUM), as staff work for two AFM's. The allocation of remuneration to the Fund is based on AUM where staff are not directly allocated to the Fund. The way these disclosures are calculated may change in the future.

## JUNIOR OILS TRUST

### DIRECTORS' STATEMENT

This report has been prepared in accordance with the requirements of the Collective Investment Schemes Sourcebook as issued and amended by the Financial Conduct Authority.



**ALLAN HAMER**  
JOINT MANAGING DIRECTOR



**WAYNE D GREEN**  
JOINT MANAGING DIRECTOR

**MARLBOROUGH FUND MANAGERS LTD**  
18 December 2020

### STATEMENT OF AUTHORISED FUND MANAGER'S RESPONSIBILITIES

The Financial Conduct Authority's Collective Investment Schemes Sourcebook (COLL) requires the Authorised Fund Manager (AFM) to prepare financial statements for each accounting year which give a true and fair view of the financial position of the Fund and of the net revenue and net losses on the property of the Fund for the year.

In preparing those financial statements the AFM is required to:

- comply with the disclosure requirements of the Statement of Recommended Practice relating to UK Authorised Funds issued in May 2014 and amended in June 2017;
- follow United Kingdom Generally Accepted Accounting Practice and applicable accounting standards;
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- for the reasons stated in Note 1 of the accounting policies, the financial statements of the Fund have been prepared on a break-up basis as the Fund is no longer a going concern.

The AFM is required to keep proper accounting records and to manage the Fund in accordance with the COLL rules, the Trust Deed and the Prospectus. The AFM is responsible for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The AFM is responsible for ensuring that, to the best of its knowledge and belief, there is no relevant audit information of which the auditor is unaware. It is the responsibility of the AFM to take all necessary steps to familiarise itself with any relevant audit information and to establish that the auditor is aware of that information.

## **JUNIOR OILS TRUST**

### **STATEMENT OF THE DEPOSITARY'S RESPONSIBILITIES AND REPORT OF THE DEPOSITARY**

#### **Statement of the Depositary's Responsibilities in Respect of the Scheme and Report of the Depositary to the Unitholders of Junior Oils Trust ("the Trust") for the period ended 31 August 2020**

The Depositary in its capacity of Trustee of Junior Oils Trust must ensure that the Trust is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Financial Services and Markets Act 2000, as amended, (together "the Regulations"), the Trust Deed and Prospectus (together "the Scheme documents") as detailed below.

The Depositary must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Trust and its investors.

The Depositary is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Trust in accordance with the Regulations.

The Depositary must ensure that:

- the Trust's cash flows are properly monitored and that cash of the Trust is booked in the cash accounts in accordance with the Regulations;
- the sale, issue, repurchase, redemption and cancellation of units are carried out in accordance with the Regulations;
- the value of units of the Trust are calculated in accordance with the Regulations;
- any consideration relating to transactions in the Trust's assets is remitted to the Trust within the usual time limits;
- the Trust's income is applied in accordance with the Regulations; and
- the instructions of the Authorised Fund Manager ("the AFM"), which is the UCITS Management Company, are carried out (unless they conflict with the Regulations).

The Depositary also has a duty to take reasonable care to ensure that the Trust is managed in accordance with the Regulations and the Scheme documents of the Trust in relation to the investment and borrowing powers applicable to the Trust.

Having carried out such procedures as we consider necessary to discharge our responsibilities as Depositary of the Trust, it is our opinion, based on the information available to us and the explanations provided, that in all material respects, the Trust, acting through the AFM:

(i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Trust's units and the application of the Trust's income in accordance with the Regulations and the Scheme documents of the Trust; and

(ii) has observed the investment and borrowing powers and restrictions applicable to the Trust in accordance with the Regulations and the Scheme documents of the Trust.

**HSBC BANK PLC**

**LONDON**

18 December 2020

## JUNIOR OILS TRUST

### INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF JUNIOR OILS TRUST

#### Opinion

We have audited the financial statements of Junior Oils Trust ("the Fund") for the year ended 31 August 2020 which comprise the Statement of Total Return, Statement of Change in Net Assets Attributable to Unitholders together with the Balance Sheet, the accounting policies and risk profile, the related notes and the Distribution Table, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Fund as at 31 August 2020 and of the net revenue and the net capital losses on the scheme property of the Fund for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Emphasis of matter – financial statements prepared on a break up basis

We draw attention to Note 1 to the financial statements which explains that the Manager intends to terminate the Fund and therefore does not consider it to be appropriate to adopt the going concern basis of accounting in preparing the financial statements. Accordingly, the financial statements have been prepared on a break up basis as described in Note 1. Our opinion is not modified in respect of this matter.

#### Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Manager is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

#### Opinions on other matters prescribed by the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority

In our opinion:

- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice relating to Authorised Funds, the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority and the Instrument of Incorporation;
- the information given in the Manager's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- there is nothing to indicate that proper accounting records have not been kept or that the financial statements are not in agreement with those records.

## JUNIOR OILS TRUST

### INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF JUNIOR OILS TRUST

#### Matters on which we are required to report by exception

We have nothing to report in respect of the following matter in relation to which the Collective Investment Schemes Sourcebook of the Financial Conduct Authority rules requires us to report to you if, in our opinion:

- we have not received all the information and explanations which, to the best of our knowledge and belief, are necessary for the purpose of our audit.

#### Responsibilities of the Manager

As explained more fully in the Manager's responsibilities statement set out on page 5, the Manager is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

#### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

#### Use of our report

This report is made solely to the Fund's unitholders, as a body, pursuant to Paragraph 4.5.12 of the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority. Our audit work has been undertaken so that we might state to the Fund's unitholders those matters we are required to state to them in an 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 Fund and the Fund's unitholders as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP  
Statutory Auditor  
Edinburgh

18 December 2020

#### Notes:

1. The maintenance and integrity of the Marlborough Fund Managers Ltd website is the responsibility of the Manager; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## JUNIOR OILS TRUST

### COMPARATIVE TABLE

#### C Accumulation units

<b>Change in net assets per unit</b>	<b>Period to * 11.05.2020 pence</b>	<b>Year to 31.08.2019 pence</b>	<b>Year to 31.08.2018 pence</b>	<b>Year to 31.08.2017 pence</b>
Opening net asset value per unit	63.66	93.06	77.97	70.57
Return before operating charges*	(27.27)	(27.93)	16.61	8.94
Operating charges	(0.71)	(1.47)	(1.52)	(1.54)
Return after operating charges*	(27.98)	(29.40)	15.09	7.40
Distributions on accumulation units	-	-	-	-
Retained distributions on accumulation units	-	-	-	-
Closing net asset value per unit	35.68	63.66	93.06	77.97

\* after direct transaction costs of:

0.11                      0.05                      0.08                      0.16

#### **Performance**

Return after charges                      -43.95%                      -31.59%                      19.35%                      10.49%

#### **Other information**

Closing net asset value	£1,078,378	£2,768,907	£5,577,888	£5,380,251
Closing number of units	3,022,136	4,349,647	5,994,073	6,900,281
Operating charges	1.35%	1.93%	1.88%	1.86%
Direct transaction costs	0.21%	0.06%	0.10%	0.19%

#### **Prices**

Highest unit price	69.85p	100.82p	104.19p	102.30p
Lowest unit price	24.58p	60.83p	71.09p	68.82p

#### I Accumulation units

<b>Change in net assets per unit</b>	<b>Period to * 11.05.2020 pence</b>	<b>Year to 31.08.2019 pence</b>	<b>Year to 31.08.2018 pence</b>	<b>Year to 31.08.2017 pence</b>
Opening net asset value per unit	68.78	99.97	83.37	75.09
Return before operating charges*	(29.48)	(30.01)	17.80	9.47
Operating charges	(0.58)	(1.18)	(1.20)	(1.19)
Return after operating charges*	(30.06)	(31.19)	16.60	8.28
Distributions on accumulation units	-	-	-	-
Retained distributions on accumulation units	-	-	-	-
Closing net asset value per unit	38.72	68.78	99.97	83.37

\* after direct transaction costs of:

0.12                      0.05                      0.09                      0.17

#### **Performance**

Return after charges                      -43.70%                      -31.20%                      19.91%                      11.03%

#### **Other information**

Closing net asset value	£96,928	£210,215	£486,666	£330,361
Closing number of units	250,333	305,644	486,807	396,239
Operating charges	1.01%	1.43%	1.38%	1.36%
Direct transaction costs	0.21%	0.06%	0.10%	0.19%

#### **Prices**

Highest unit price	75.42p	103.41p	106.79p	104.09p
Lowest unit price	26.62p	65.66p	76.25p	73.24p

## JUNIOR OILS TRUST

### COMPARATIVE TABLE

<b>P Accumulation units</b>	<b>Period to * 11.05.2020</b>	<b>Year to 31.08.2019</b>	<b>Year to 31.08.2018</b>	<b>Year to 31.08.2017</b>
<b>Change in net assets per unit</b>	<b>pence</b>	<b>pence</b>	<b>pence</b>	<b>pence</b>
Opening net asset value per unit	69.51	100.87	84.00	75.54
Return before operating charges*	(29.81)	(30.31)	17.95	9.54
Operating charges	(0.51)	(1.05)	(1.08)	(1.08)
Return after operating charges*	(30.32)	(31.36)	16.87	8.46
Distributions on accumulation units	-	-	-	-
Retained distributions on accumulation units	-	-	-	-
Closing net asset value per unit	39.19	69.51	100.87	84.00
* after direct transaction costs of:	0.12	0.05	0.09	0.17
<b>Performance</b>				
Return after charges	-43.62%	-31.09%	20.08%	11.20%
<b>Other information</b>				
Closing net asset value	£1,450,356	£3,865,415	£5,666,177	£5,781,531
Closing number of units	3,700,124	5,560,792	5,617,292	6,882,646
Operating charges	0.90%	1.28%	1.23%	1.21%
Direct transaction costs	0.21%	0.06%	0.10%	0.19%
<b>Prices</b>				
Highest unit price	76.22p	104.34p	107.73p	104.78p
Lowest unit price	26.94p	66.35p	76.89p	73.68p

The closing net asset value per unit in the above table is based on the net net value and units in issue of the Trust on the last valuation point of the Trust on 11 May 2020. No operating charges, except transaction charges on the sale of securities after 11 May 2020, have been taken from the Trust since this date.

The net asset value per unit used above is not the same as the net asset value per unit on 18 May 2020, used for calculating the repayment to unitholders, as this takes into account the loss on the sale of the underlying investments after 11 May 2020.

Operating charges are the same as the ongoing charges and are the total expenses paid by each unit class in the period. Direct transaction costs are the total charges for the period, included in the purchase and sale of investments in the portfolio of the Trust. These amounts are expressed as a percentage of the average net asset value over the year and the average units in issue for the pence per unit figures.

### SYNTHETIC RISK AND REWARD INDICATOR

Lower risk Higher risk

←-----→

Typically lower rewards Typically higher rewards

1	2	3	4	5	6	7
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The synthetic risk and reward indicator above aims to provide you with an indication of the overall risk and reward profile of the Fund. It is calculated based on the volatility of the Fund using weekly historic returns over the last five years. If five years data is not available for a fund, the returns of a representative portfolio are used.

The Fund has been measured as 7 because it has experienced very high volatility historically. During the year the synthetic risk and reward indicator has remained unchanged.

## JUNIOR OILS TRUST

### PORTFOLIO STATEMENT

as at 31 August 2020

<b>Holding or nominal value</b>	<b>Bid value £</b>	<b>Percentage of total net assets %</b>
<b>UNITED KINGDOM</b> (August 2019 - 24.68%)		
3,136,168 Burj Petroleum *	-	-
<b>AUSTRALIA</b> (August 2019 - 33.22%)		
666,666 Real Energy Warrants *	-	-
<b>CANADA</b> (August 2019 - 39.23%)		
13,333 Bellatrix Exploration *	-	-
<b>Portfolio of investments</b>	-	-
<b>Net current assets</b>	-	-
<b>Total net assets</b>	<u>-</u>	<u>-</u>

\* These holdings have not yet been removed from Custody records.

## JUNIOR OILS TRUST

### STATEMENT OF TOTAL RETURN

for the year ended 31 August 2020

	Notes	31 August 2020		31 August 2019	
		£	£	£	£
Income:					
Net capital losses	4		(2,921,799)		(3,453,920)
Revenue	6	77,098		55,107	
Expenses	7	(56,309)		(138,224)	
Net revenue/(expense) before taxation		<u>20,789</u>		<u>(83,117)</u>	
Taxation	8	<u>(7,367)</u>		<u>(4,798)</u>	
Net revenue/(expense) after taxation			<u>13,422</u>		<u>(87,915)</u>
Total return before distributions			(2,908,377)		(3,541,835)
Distributions	9		(10,850)		4,459
Change in net assets attributable to unitholders from investment activities			<u>(2,919,227)</u>		<u>(3,537,376)</u>

### STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the year ended 31 August 2020

	31 August 2020		31 August 2019	
	£	£	£	£
Opening net assets attributable to unitholders		6,844,537		11,730,731
Amounts receivable on issue of units	1,356,468		881,324	
Amounts payable on cancellation of units	(2,707,375)		(2,229,825)	
Amounts payable on unit class conversions	<u>(50)</u>		<u>(317)</u>	
Change in net assets attributable to unitholders from investment activities		(1,350,957)		(1,348,818)
Change in net assets attributable to unitholders from investment activities		(2,919,227)		(3,537,376)
Retained distribution on accumulation units		10,499		-
Capital repayment to unitholders on 22 May 2020		(2,584,852)		-
Closing net assets attributable to unitholders		<u>-</u>		<u>6,844,537</u>

## JUNIOR OILS TRUST

### BALANCE SHEET

as at 31 August 2020

	Notes	31 July 2020 £	31 July 2019 £
<b>Assets:</b>			
<b>Fixed Assets:</b>			
Investments	16	-	6,647,802
<b>Current Assets:</b>			
Debtors	10	177	117,010
Cash and bank balances		992	113,421
Total assets		<u>1,169</u>	<u>6,878,233</u>
<b>Current Liabilities:</b>			
<b>Creditors:</b>			
Bank overdrafts		318	7,454
Other creditors	11	851	26,242
Total liabilities		<u>1,169</u>	<u>33,696</u>
<b>Net assets attributable to unitholders</b>		<u>-</u>	<u>6,844,537</u>

**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 August 2020

**1 ACCOUNTING POLICIES**

**Basis of preparation**

The financial statements have been prepared using the historical cost convention in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommended Practice 'Financial Statements of UK Authorised Funds' issued by The Investment Management Association (now known as the Investment Association) in May 2014 (the SORP) and amended in June 2017. The financial statements are being prepared on a break up basis as the authorised fund manager has commenced closure of the Trust. Under this basis, assets are recorded at their recoverable value, and liabilities are recorded at their expected settlement value. Any additional costs in respect of the termination of the Fund will be borne by the authorised fund manager.

**Revenue**

Dividends from quoted ordinary securities are recognised when the security is quoted ex-dividend.

Dividends from non-quoted securities are recognised when the right to receive payment is established.

Bank interest is accounted for on an accruals basis.

**Allocation of revenue**

Revenue, attributable after expenses to multiple unit classes, with the exception of the authorised fund manager's periodic charge, which is directly attributable to individual unit classes, is allocated to unit classes pro-rata to the value of the net assets of the relevant unit class on the day that the revenue is incurred.

**Expenses**

All expenses, other than those relating to purchase and sale of investments, are charged against revenue on an accruals basis.

**Valuation**

The last valuation point of the Trust was 12:00 on 11 May 2020.

Listed investments were valued at fair value which is the bid price.

Unlisted, unapproved, illiquid or suspended securities were valued at the authorised fund manager's best estimate of the amount that would be received from the immediate transfer at arm's length in a manner designed to show fair value. This modelling takes into account, where appropriate, latest dealing prices, valuations from reliable sources, financial performance, maturity of the company and other relevant factors.

**Taxation**

Corporation tax has been provided for at 20% on taxable income less expenses. Deferred taxation is provided on a full provision basis on timing differences arising from the different treatment of items for accounting and tax purposes. Potential future liabilities and assets are recognised where the transactions, or events giving rise to them, occurred before the balance sheet date.

**Exchange rates**

Revenue and expenditure transactions are translated at the rates of exchange ruling on the dates of the transactions. Exchange differences on such transactions follow the same treatment as the principal amounts.

**2 DISTRIBUTION POLICIES**

The distribution policy of the Trust is to accumulate all available revenue, after deduction of expenses properly chargeable against revenue. Gains and losses on non-derivative instruments and currencies, whether realised or unrealised, are taken to capital and are not available for distribution.

**Equalisation**

Equalisation applies only to units purchased during the distribution period. It is the average amount of income included in the purchase price of all group 2 units and is refunded to holders of these units as a return of capital. Being capital it is not liable to UK income tax but must be deducted from the cost of the units for UK capital gains tax purposes.

The ordinary element of stock received in lieu of cash dividends is credited to capital in the first instance followed by a transfer to revenue of the cash equivalent being offered and this forms part of the distributable revenue of the Trust. In the case of an enhanced stock dividend, the value of the enhancement is treated as capital and does not form part of any distribution.

Special dividends are reviewed on a case by case basis in determining whether the dividend is to be treated as revenue or capital. Amounts recognised as revenue will form part of the distributable revenue of the Trust. Amounts recognised as capital are deducted from the cost of the investment. The tax accounting treatment follows the treatment of the principal amount.

**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 August 2020

**3 RISK MANAGEMENT POLICIES**

In pursuing its investment objective as stated on page 2, the Trust holds a number of financial instruments. The Trust's financial instruments comprise securities held in accordance with the investment objectives and policies together with cash balances, debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable for issues and payable for redemptions and debtors for accrued income.

The main risks arising from the Trust's financial instruments and the authorised fund manager's policies for managing these risks are summarised below. These policies have been applied throughout the year.

The Trust is managed according to COLL 5, 'Investment and Borrowing Powers' which helps achieve the statutory objective of protecting consumers by laying down the minimum standards for the investments that may be held by an authorised fund. In particular: (a) the proportion of transferable securities and derivatives that may be held by the authorised fund is restricted if those transferable securities and derivatives are not listed on an eligible market. The intention of this is to restrict the transferable securities and derivatives that cannot be accurately valued and readily disposed of; and (b) the authorised funds are required to comply with a number of investment rules that require the spreading of risk.

**Market price risk**

Market price risk is the risk that the value of the Trust's investment holdings will fluctuate as a result of changes in market prices caused by factors other than interest rate or foreign currency movement. Market price risk arises mainly from uncertainty about future prices of financial instruments the Trust holds. It represents the potential loss the Trust might suffer through holding market positions in the face of price movements. The Trust's investment portfolio is exposed to market price fluctuations which are monitored by the authorised fund manager in pursuance of the investment objective and policy as set out in the Prospectus.

Investment limits set out in the Trust Deed, Prospectus and in the rules contained in the Collective Investment Schemes Sourcebook mitigate the risk of excessive exposure to any particular security or issuer.

**Foreign currency risk**

The income and capital value of the Trust's investments can be affected by foreign currency translation movements as most of the Trust's assets and income may be denominated in currencies other than sterling which is the Trust's functional currency.

The authorised fund manager has identified three principal areas where foreign currency risk could impact the Trust. These are, movements in exchange rates affecting the value of investments, short-term timing differences such as exposure to exchange rate movements during the period between when an investment purchase or sale is entered into and the date when settlement of the investment occurs, and finally movements in exchange rates affecting income received by the Trust. The Trust converts all receipts of income received in currency into sterling on the day of receipt.

**Credit and counterparty risk**

Certain transactions in securities that the Trust enters into expose it to the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the Trust has fulfilled its responsibilities. The Trust only buys and sells investments through brokers which have been approved by the authorised fund manager as an acceptable counterparty.

**Interest rate risk**

Interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates. The Trust's cash holdings are held in deposit accounts, whose rates are determined by the banks concerned on a daily basis.

**Liquidity risk**

The Trust's assets comprise mainly of readily realisable securities. The main liability of the Trust is the redemption of any units that investors wish to sell. Assets of the Trust may need to be sold if insufficient cash is available to finance such redemptions. The liquidity of the Trust's assets is regularly reviewed by the authorised fund manager.

## JUNIOR OILS TRUST

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2020

#### 4 NET CAPITAL LOSSES

The net losses on investments during the year comprise:

	31 August 2020 £	31 August 2019 £
Non-derivative securities	(2,894,979)	(3,452,364)
Currency (losses)/gains	(22,799)	132
Transaction charges	(4,021)	(1,688)
<b>Net capital losses</b>	<u>(2,921,799)</u>	<u>(3,453,920)</u>

#### 5 PURCHASES, SALES AND TRANSACTION COSTS

(All purchases and sales are in the equity asset class)

	31 August 2020 £	31 August 2019 £
Purchases excluding transaction costs	1,881,196	2,608,744
Corporate actions	-	192,804
	<u>1,881,196</u>	<u>2,801,548</u>
Commissions	2,822	3,653
Total purchase transaction costs	2,822	3,653
<b>Purchases including transaction costs</b>	<u>1,884,018</u>	<u>2,805,201</u>

Purchase transaction costs expressed as a percentage of the principal amount:

Commissions	0.15%	0.14%
Taxes and other charges	0.00%	0.00%

Sales excluding transaction costs	5,645,344	1,073,994
Corporate actions	-	2,145,274
	<u>5,645,344</u>	<u>3,219,268</u>
Commissions	(8,467)	(1,660)
Taxes and other charges	(36)	(24)
Total sale transaction costs	(8,503)	(1,684)
<b>Sales net of transaction costs</b>	<u>5,636,841</u>	<u>3,217,584</u>

Sale transaction costs expressed as a percentage of the principal amount:

Commissions	0.15%	0.15%
Taxes and other charges	0.00%	0.00%

Total purchases and sales transaction costs expressed as a percentage of the average net asset value over the year:

Commissions	0.10%	0.05%
Taxes and other charges	0.00%	0.00%
	<u>0.10%</u>	<u>0.05%</u>

#### Transaction handling charges

	<u>£4,021</u>	<u>£1,688</u>
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#### Average portfolio dealing spread

This spread represents the difference between the values determined respectively by reference to the bid and offer prices of investments expressed as a percentage of the value determined by reference to the offer price.

Average portfolio dealing spread at the balance sheet date	<u>-</u>	<u>4.19%</u>
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#### 6 REVENUE

	31 August 2020 £	31 August 2019 £
UK dividends	4,894	22,000
Overseas dividends	71,557	31,950
Bank interest	647	1,157
<b>Total revenue</b>	<u>77,098</u>	<u>55,107</u>

## JUNIOR OILS TRUST

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2020

#### 7 EXPENSES

	31 August 2020 £	31 August 2019 £
Payable to the authorised fund manager or associate:		
Manager's periodic charge	51,300	123,828
Registration fees	1,146	1,920
	<u>52,446</u>	<u>125,748</u>
Other expenses:		
Trustee's fees	1,360	3,201
Safe custody fees	804	1,561
Interest	-	103
Financial Conduct Authority fee	86	158
Audit fee	-	7,453
Sundry expenses	1,613	-
	<u>3,863</u>	<u>12,476</u>
<b>Total expenses</b>	<u><u>56,309</u></u>	<u><u>138,224</u></u>

#### 8 TAXATION

	31 August 2020 £	31 August 2019 £
a Analysis of the tax charge for the year		
Overseas tax	7,367	4,798
<b>Total tax charge</b> (see note 8(b))	<u><u>7,367</u></u>	<u><u>4,798</u></u>

#### b Factors affecting the tax charge for the year

The taxation assessed for the year is higher than the standard rate of corporation tax in the UK for a unit trust (20%). The differences are explained below.

Net expense before taxation	20,789	(83,117)
Corporation tax at 20% (2019: 20%)	4,158	(16,623)
Effects of:		
Revenue not subject to taxation	(15,290)	(10,790)
Unrelieved excess management expenses	11,132	27,413
Overseas tax	7,367	4,798
<b>Total tax charge</b> (see note 8(a))	<u><u>7,367</u></u>	<u><u>4,798</u></u>

At 31 August 2020 the Trust has deferred tax assets of £954,787 (2019: £943,655) arising from surplus management expenses, which have not been recognised due to uncertainty over the availability of future taxable profits.

#### 9 DISTRIBUTIONS

	31 August 2020 £	31 August 2019 £
The distributions take account of revenue deducted on the issue of units and revenue received on the cancellation of units, and comprise:		
Interim	10,499	-
Final	-	-
Amounts received on cancellation of units	1,516	(5,637)
Amounts deducted on issue of units	(1,116)	1,495
Equalisation on conversions	(50)	(317)
<b>Distributions</b>	<u><u>10,850</u></u>	<u><u>(4,459)</u></u>
Net deficit of revenue for the year	(1,464)	(83,456)
Transfer to capital for repayment to unitholders on 22 May 2020	4,036	-
<b>Net revenue/(expense) after taxation for the year</b>	<u><u>13,422</u></u>	<u><u>(87,915)</u></u>

## JUNIOR OILS TRUST

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2020

#### 10 DEBTORS

	31 August 2020 £	31 August 2019 £
Amounts receivable for issue of units	-	28,029
Sales awaiting settlement	-	86,452
Accrued income	-	2,529
Taxation recoverable	177	-
<b>Total debtors</b>	<u>177</u>	<u>117,010</u>

#### 11 OTHER CREDITORS

	31 August 2020 £	31 August 2019 £
Amounts payable for cancellation of units	-	10,853
Accrued expenses	851	15,389
<b>Total other creditors</b>	<u>851</u>	<u>26,242</u>

#### 12 RELATED PARTIES

The authorised fund manager is involved in all transactions in the shares of the Trust, the aggregate values of which are set out in the statement of change in net assets attributable to unitholders and note 9. Amounts due to/from the authorised fund manager in respect of unit transactions at the year end are disclosed in notes 10 and 11. Amounts paid to the authorised fund manager in respect of the manager's periodic charge and registration fees are disclosed in note 7. Amounts due from the authorised fund manager at the year end are nil (2019: £8,895).

#### 13 UNIT CLASSES

The share classes in issue for the Trust and the annual management charge for each share class was as follows:

C Accumulation	1.75%
I Accumulation	1.25%
P Accumulation	1.10%

#### 14 UNITHOLDERS' FUNDS

During the year the authorised fund manager has issued, cancelled and converted units from one unit class to another as set out below:

	Class C	Class I	Class P
Opening units in issue at 1 September 2019	4,349,647	305,644	5,560,792
Units issues	726,058	-	2,521,095
Units cancellations	(1,978,182)	(55,311)	(4,450,735)
Units conversions	(75,387)	-	68,972
Units cancellations - repayment to unitholders	(3,022,136)	(250,333)	(3,700,124)
Closing units in issue at 31 August 2020	<u>-</u>	<u>-</u>	<u>-</u>

#### 15 RISK DISCLOSURES

##### Market price risk sensitivity

A five per cent increase in the market prices of the Trust's portfolio would have the effect of increasing the return and net assets by nil (2019: £332,390). A five per cent decrease would have an equal and opposite effect.

##### Foreign currency risk

There is no exposure to foreign currency risk as at 31 August 2020.

At the previous year end date a portion of the net assets of the Trust were denominated in currencies other than sterling with the effect that the balance sheet and total return could be affected by exchange rate movements.

Foreign currency exposure at 31 August 2019

	Investments £	Net current assets £	Total £
Australian Dollar	2,274,239	86,452	2,360,691
Canadian Dollar	2,644,925	2,522	2,647,447
Norwegian Kroner	39,309	-	39,309
	<u>4,958,473</u>	<u>88,974</u>	<u>5,047,447</u>

##### Foreign currency risk sensitivity

A five per cent decrease in the value of sterling relative to the foreign currencies above would have the effect of increasing the return and net assets by nil (2019: £252,372). A five per cent increase would have an equal and opposite effect.

## JUNIOR OILS TRUST

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2020

#### Liquidity risk

The following table provides a maturity analysis of the Trust's financial liabilities:

	31 August 2020	31 August 2019
	£	£
Within one year:		
Bank overdrafts	318	7,454
Other creditors	851	26,242
	<u>1,169</u>	<u>33,696</u>

#### 16 FAIR VALUE HIERARCHY FOR INVESTMENTS

Basis of valuation	31 August 2020		31 August 2019	
	Assets (£)	Liabilities (£)	Assets (£)	Liabilities (£)
Level 1 - Quoted prices	-	-	6,647,802	-
Level 2 - Observable market data	-	-	-	-
Level 3 - Unobservable data	-	-	-	-
	<u>-</u>	<u>-</u>	<u>6,647,802</u>	<u>-</u>

The intention of a fair value measurement is to estimate the price at which an asset or liability could be exchanged in the market conditions prevailing at the measurement date. The measurement assumes the exchange is an orderly transaction (that is, it is not a forced transaction, involuntary liquidation or distress sale) between knowledgeable, willing participants on an independent basis.

The purpose of the fair value hierarchy is to prioritise the inputs that should be used to measure the fair value of assets and liabilities. The highest priority is given to quoted prices at which a transaction can be entered into and the lowest priority to unobservable inputs.

In accordance with FRS102 the Trust classifies fair value measurement under the following levels:

Level 1 - Unadjusted quoted price in an active market for an identical instrument;

Level 2 - Valuation techniques using observable inputs other than quoted prices within level 1; and

Level 3 - Valuation techniques using unobservable inputs.

#### DISTRIBUTION TABLE

##### Interim distribution for the period from 1 September 2019 to 29 February 2020

Group 1: units purchased prior to 1 September 2019

Group 2: units purchased on or after 1 September 2019

		Net revenue 29 February 2020 pence per unit	Equalisation 29 February 2020 pence per unit	Distribution paid 30 April 2020 pence per unit	Distribution paid 30 April 2019 pence per unit
Class C accumulation	Group 1	-	-	-	-
	Group 2	-	-	-	-
Class I accumulation	Group 1	0.1429p	-	0.1429p	-
	Group 2	0.1429p	-	0.1429p	-
Class P accumulation	Group 1	0.1937p	-	0.1937p	-
	Group 2	0.0648p	0.1289p	0.1937p	-

# Marlborough

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