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JUNIOR OILS TRUST

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS

for the year ended 31 August 2018

JUNIOR OILS TRUST

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
67 Grosvenor Street
London
W1K 3JN

Authorised and regulated by the Financial Conduct Authority.

Auditor

Barlow Andrews LLP
Carlyle House
78 Chorley New Road
Bolton
BL1 4BY

JUNIOR OILS TRUST

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JUNIOR OILS TRUST

AUTHORISED INVESTMENT ADVISER'S REPORT

for the year ended 31 August 2018

Percentage change to 31 August 2018

	<u>Six months</u>	<u>1 year</u>	<u>3 years</u>	<u>5 years</u>	<u>Since launch*</u>
Junior Oils Trust	29.86%	23.84%	42.89%	-34.40%	-1.07%

* launched 10.10.2004.

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

The price of oil has been recovering strongly following the collapse in late 2014. Despite the continued growth in production from North American unconventional fields, global mature basins declined sharply, primarily due to the dramatic cuts in exploration and development expenditure across the oil industry. As the capital starvation has also hit some economically weaker members of Opec, in particular Venezuela and Angola, the structural drop in production is unlikely to be reversed soon. More recently, new economic sanctions against Iran, initiated by the United States, are on course to remove in excess of 500k barrels per day from the markets. Given expectations for continued growth in demand, primarily from Chinese and Indian economic development, indications point to an undersupplied market that has drawn down oil inventories to levels below the five-year average. We believe that Brent could reach \$90/ barrel this year and possibly exceed that level in the year to come.

As the background for higher oil prices becomes better understood by the investment world, focus has been shifting to smaller exploration and production companies. In particular, those controlling substantial identified reserves, whilst retaining a strong balance sheet that does not rely excessively on capital markets, are the most desirable. The Junior Oils Trust portfolio has been re-rating under the circumstances, rising by 23.8% in value in the twelve months to 31 August 2018. Its benchmark, the FTSE 350 Oil & Gas index gained 20.0% in the same period as investors' clearly emphasised smaller companies rather than the integrated oil majors that were the favourites in previous years.

Some of our core, overweight positions in the Junior Oils Trust have recently outperformed on the back of successful results. Carnarvon Petroleum has been a star performer with its discovery of what could be the largest oil field off-shore Western Australia in the last 30 years. Faroe Petroleum has been re-rated strongly as its North Sea production continues to grow and Norwegian DNO has acquired a significant stake that may lead to further corporate action. FAR Ltd has also been strong as the SNE major oil find off-shore Senegal moved toward commercialisation and a new exploration campaign is being initiated off The Gambia. The Canadian part of the portfolio, in contrast, has been relatively weak due to worries over a US production glut and trade restrictions imposed on Canadian exports. We think that, ultimately, Canadian oil and gas will find its way to global markets as China, India and Japan need to fill supply gaps in their growing needs for hydro carbons-derived energy. We believe that energy equities, particularly the better value smaller companies, are likely to outperform the market and the sector in 2018 and remain optimistic for good performance of our fund in the medium term.

Angelos Damaskos
25 September 2018

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Portfolio changes

Purchases	Cost (£)	Sales	Proceeds (£)
Birchcliff Energy	498,958	Carnarvon Petroleum	2,016,798
SOCO International	478,722	Questerre Energy (NOK)	493,356
Carnarvon Petroleum	420,884	Gran Tierra Energy	378,193
President Energy	400,000	Tamarack Valley Energy	294,801
Africa Oil	177,860	FAR	264,609
Crown Point Energy	44,266	Africa Oil	207,196
		Crew Energy	101,835
		Cooper Energy	41,933
Total purchases for the year	2,020,690	Total sales for the year	3,798,721

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 objectives

The investment objective of the Trust is to provide long-term capital growth from a global portfolio of small to medium capitalisation companies specialising in oil exploration and production. There may be occasions in light of adverse market conditions where the Investment Manager chooses to hold high levels of bonds and government securities.

Rights and terms attaching to each unit class

Each 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.

Change in prospectus

No significant changes have been made since the last report.

Up to date key investor information documents, prospectus and manager's reports and accounts for any fund within the manager's range, can be requested by the investor at any time.

Remuneration policy

In line with the requirement 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 2017 are set out below:

	Number of identified staff	Total remuneration paid	Fixed remuneration paid	Variable remuneration paid
		£	£	£
Remuneration paid to staff of the Authorised Fund Manager (AFM) who have a material impact on the risk profile of the Fund				
Senior management	11	748,245	577,464	170,781
Risk takers and other identified staff	5	176,184	140,035	36,149
Allocation of total remuneration of the employees of the AFM to the Fund				
Senior management	0.02	1,710	1,320	390
Risk takers and other identified staff	1.00	28,773	23,713	5,060

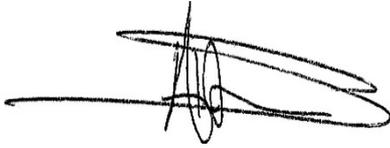
The total number of staff employed by the AFM was 139 as at 30 September 2017. The total remuneration paid to those staff was £5,799,615, of which £3,592,693 is attributable to the AFM.

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



G R HITCHIN
INVESTMENT DIRECTOR

MARLBOROUGH FUND MANAGERS LTD
16 October 2018

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 gains/(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;
- 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
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Fund will continue in operation.

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

DEPOSITARY'S REPORT

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 2018

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 into 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 in 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

16 October 2018

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 2018 which comprise the statement of total return, the statement of change in net assets attributable to unitholders, the balance sheet and the notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the fund's affairs as at 31 August 2018 and of its net expense and net capital gains or losses on the fund property for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been properly prepared in accordance with the Statement of Recommended Practice for Authorised Funds issued by The Investment Association, the rules contained in the Collective Investment Schemes Sourcebook and the trust deed.

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. 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the authorised fund manager's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the authorised fund manager has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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 authorised fund 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 our 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 this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Collective Investment Schemes Sourcebook

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the report of the authorised fund manager for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- we have been given all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

JUNIOR OILS TRUST

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the fund and its environment obtained in the course of the audit, we have not identified material misstatements in the report of the authorised fund manager.

We have nothing to report in respect of the following matters to which the Collective Investment Schemes Sourcebook requires us to report to you if, in our opinion:

- proper accounting records for the fund have not been kept; or
- the financial statements are not in agreement with those records.

Responsibilities of the authorised fund manager

As explained more fully in the Statement of Authorised Fund Manager's Responsibilities set out on page 3, the authorised fund 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 authorised fund 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 authorised fund 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 authorised fund manager either intends to liquidate the fund or to cease activity, or have 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: <http://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, in accordance with paragraph 4.5.12 of the rules of the Collective Investment Schemes Sourcebook. 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.

Barlow Andrews LLP
Chartered Accountants
Statutory Auditor
Carlyle House
78 Chorley New Road
Bolton

16 October 2018

JUNIOR OILS TRUST

COMPARATIVE TABLE

Accumulation units were first offered at 100p on 10 October 2004. On 12 March 2012, the units were reclassified as Class C units and Class I units became available for purchase. On 13 December 2013, Class P units became available for purchase.

<u>Class C accumulation units</u>	Year to 31.08.2018	Year to 31.08.2017	Year to 31.08.2016
Change in net assets per unit	pence	pence	pence
Opening net asset value per unit	77.97	70.57	68.50
Return before operating charges*	16.61	8.94	3.30
Operating charges	(1.52)	(1.54)	(1.23)
Return after operating charges*	15.09	7.40	2.07
Distributions on accumulation units	0.00	0.00	0.00
Retained distributions on accumulation units	0.00	0.00	0.00
Closing net asset value per unit	93.06	77.97	70.57
* after direct transaction costs of:	0.08	0.16	0.06
Performance			
Return after charges	19.35%	10.49%	3.02%
Other information			
Closing net asset value	£5,577,888	£5,380,251	£5,769,738
Closing number of units	5,994,073	6,900,281	8,175,356
Operating charges	1.88%	1.86%	1.88%
Direct transaction costs	0.10%	0.19%	0.09%
Prices			
Highest unit price	104.19p	102.30p	87.27p
Lowest unit price	71.09p	68.82p	47.85p
<u>Class I accumulation units</u>	Year to 31.08.2018	Year to 31.08.2017	Year to 31.08.2016
Change in net assets per unit	pence	pence	pence
Opening net asset value per unit	83.37	75.09	72.44
Return before operating charges*	17.80	9.47	3.60
Operating charges	(1.20)	(1.19)	(0.95)
Return after operating charges*	16.60	8.28	2.65
Distributions on accumulation units	0.00	0.00	0.00
Retained distributions on accumulation units	0.00	0.00	0.00
Closing net asset value per unit	99.97	83.37	75.09
* after direct transaction costs of:	0.09	0.17	0.06
Performance			
Return after charges	19.91%	11.03%	3.66%
Other information			
Closing net asset value	£486,666	£330,361	£479,393
Closing number of units	486,807	396,239	638,431
Operating charges	1.38%	1.36%	1.38%
Direct transaction costs	0.10%	0.19%	0.09%
Prices			
Highest unit price	106.79p	104.09p	88.21p
Lowest unit price	76.25p	73.24p	50.77p

JUNIOR OILS TRUST

COMPARATIVE TABLE

Class P accumulation units	Year to 31.08.2018	Year to 31.08.2017	Year to 31.08.2016
Change in net assets per unit	pence	pence	pence
Opening net asset value per unit	84.00	75.54	72.76
Return before operating charges*	17.95	9.54	3.64
Operating charges	(1.08)	(1.08)	(0.86)
Return after operating charges*	16.87	8.46	2.78
Distributions on accumulation units	0.00	0.00	0.00
Retained distributions on accumulation units	0.00	0.00	0.00
Closing net asset value per unit	100.87	84.00	75.54
* after direct transaction costs of:	0.09	0.17	0.06
Performance			
Return after charges	20.08%	11.20%	3.82%
Other information			
Closing net asset value	£5,666,177	£5,781,531	£5,429,414
Closing number of units	5,617,292	6,882,646	7,187,419
Operating charges	1.23%	1.21%	1.23%
Direct transaction costs	0.10%	0.19%	0.09%
Prices			
Highest unit price	107.73p	104.78p	88.62p
Lowest unit price	76.89p	73.68p	51.02p

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 Fund. These amounts are expressed as a percentage of the average net asset value over the period 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 Trust. It is calculated based on the volatility of the Trust 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.

This Trust has been measured as 7 because it has experienced very high volatility historically. During the period the synthetic risk and reward indicator has remained unchanged.

JUNIOR OILS TRUST

PORTFOLIO STATEMENT

as at 31 August 2018

Holding or nominal value	Bid value £	Percentage of total net assets %
UNITED KINGDOM (31.97%, Aug 2017 - 28.32%)		
1,000,000 Amerisur Resources	150,000	1.28
6,767,295 Baron Oil	33,836	0.29
3,136,168 Burj Petroleum *	0	0.00
20,479,270 Canadian Overseas Petroleum	64,510	0.55
4,250,000 Circle Oil *	0	0.00
600,000 Faroe Petroleum	907,200	7.73
2,083,334 Highlands Natural Resources	387,500	3.30
800,000 Ophir Energy	328,800	2.80
1,000,000 Pantheon Resources	165,200	1.41
580,000 Parkmead Group (The)	323,640	2.76
4,000,000 President Energy	360,000	3.07
400,000 SOCO International	377,200	3.22
67,500 Tienpay *	0	0.00
97,333 Tower Resources	1,509	0.01
400,000 Trinity Exploration & Production	68,000	0.58
800,000 Victoria Oil & Gas	302,800	2.58
587,643 Wentworth Resources (GBP)	152,787	1.30
500,000 Wentworth Resources (NOK)	127,316	1.09
Total United Kingdom	<u>3,750,298</u>	<u>31.97</u>
EUROPE (1.72%, Aug 2017 - 2.10%)		
1,100,000 North Energy	201,953	1.72
Total Europe	<u>201,953</u>	<u>1.72</u>
AUSTRALIA (29.93%, Aug 2017 - 21.50%)		
4,166,666 Calima Energy	143,672	1.22
5,000,000 Carnarvon Petroleum	1,028,878	8.77
2,500,000 Cooper Energy	611,765	5.22
8,437,500 Entek Energy	75,080	0.64
14,058,681 FAR	899,155	7.66
10,000,000 Oilex	16,685	0.14
118,750,000 Pancontinental Oil & Gas	660,428	5.63
1,500,000 Tap Oil	75,915	0.65
Total Australia	<u>3,511,578</u>	<u>29.93</u>
CANADA (26.00%, Aug 2017 - 36.81%)		
500,000 Africa Oil	384,394	3.28
160,000 Bellatrix Exploration	119,221	1.02
130,000 Birchcliff Energy	371,324	3.17
2,000,000 Cequence Energy	65,051	0.55
2,000,000 Cequence Energy Sub Rights	23,655	0.20
265,883 Crown Point Energy	125,789	1.07
1,100,000 Iron Bridge Resources	448,853	3.83
1,000,000 Madalena Energy	121,232	1.03
190,000 Painted Pony Energy	331,466	2.83
1,400,000 Questerre Energy (CAD)	389,125	3.32
319,847 Questerre Energy (NOK)	86,696	0.74
200,000 Tamarack Valley Energy	581,913	4.96
Total Canada	<u>3,048,719</u>	<u>26.00</u>
Portfolio of investments	10,512,548	89.62
Net current assets	<u>1,218,183</u>	<u>10.38</u>
Total net assets	<u>11,730,731</u>	<u>100.00</u>

* Unquoted stocks.

JUNIOR OILS TRUST

STATEMENT OF TOTAL RETURN

for the year ended 31 August 2018

	Notes	31 August 2018		31 August 2017	
		£	£	£	£
Income:					
Net capital gains/(losses)	4		2,075,957		1,550,038
Revenue	6	27,131		129	
Expenses	7	<u>(169,067)</u>		<u>(203,198)</u>	
Net expense before taxation		<u>(141,936)</u>		<u>(203,069)</u>	
Taxation	8	<u>(841)</u>		<u>0</u>	
Net expense after taxation			<u>(142,777)</u>		<u>(203,069)</u>
Total return before distributions			1,933,180		1,346,969
Distributions	9		7,449		10,336
Change in net assets attributable to unitholders from investment activities			<u>1,940,629</u>		<u>1,357,305</u>

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the year ended 31 August 2018

	31 August 2018		31 August 2017	
	£	£	£	£
Opening net assets attributable to unitholders		11,492,143		11,678,546
Amounts receivable on issue of units	1,009,678		3,373,364	
Amounts payable on cancellation of units	<u>(2,711,490)</u>		<u>(4,916,296)</u>	
Amounts payable on unit class conversions	<u>(229)</u>		<u>(776)</u>	
		(1,702,041)		(1,543,708)
Change in net assets attributable to unitholders from investment activities		1,940,629		1,357,305
Closing net assets attributable to unitholders		<u>11,730,731</u>		<u>11,492,143</u>

JUNIOR OILS TRUST

BALANCE SHEET

as at 31 August 2018

	Notes	31 August 2018	31 August 2017
		£	£
Assets:			
Fixed Assets:			
Investments	15	10,512,548	10,197,335
Current Assets:			
Debtors	10	46,334	526
Cash and bank balances		1,232,784	1,491,575
Total assets		<u>11,791,666</u>	<u>11,689,436</u>
Liabilities:			
Creditors:			
Bank overdrafts		35,363	97,102
Other creditors	11	25,572	100,191
Total liabilities		<u>60,935</u>	<u>197,293</u>
Net assets attributable to unitholders		<u><u>11,730,731</u></u>	<u><u>11,492,143</u></u>

JUNIOR OILS TRUST

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2018

1 ACCOUNTING POLICIES

a Basis of preparation

The financial statements have been prepared in compliance with FRS102 and in accordance with the Statement of Recommended Practice for UK Authorised Funds issued by The Investment Association in May 2014.

The financial statements are prepared in sterling, which is the functional currency of the Trust. Monetary amounts in these financial statements are rounded to the nearest pound.

The financial statements have been prepared on the historical cost convention, modified to include the revaluation of investments and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

b Going concern

The authorised fund manager has at the time of approving the financial statements, a reasonable expectation that the Trust has adequate resources to continue in operational existence for the foreseeable future. Thus it continues to adopt the going concern basis of accounting in preparing the financial statements.

c Revenue

Dividends from shares are recognised when the security is quoted ex-dividend. Bank interest is accounted for on an accruals basis.

d Expenses

All expenses are accounted for on an accruals basis and, other than those relating to purchase and sale of investments, are charged against income as shown in these accounts.

e Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on net revenue for the year. The taxable amount differs from net revenue as reported in the Statement of Total Return (SOTR) because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Trust's liability for current tax is calculated using tax rates that have been enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient tax profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the SOTR. Deferred tax assets and liabilities are offset when the Trust has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

f Valuation of investments

The investments of the Trust have been valued at their fair value at 12 noon on 31 August 2018. Fair value is normally the bid value of each security by reference to quoted prices from reputable sources; that is the market price. If the authorised fund manager believes that the quoted price is unreliable, or if no price exists, a valuation technique is used whereby fair value is the authorised fund manager's best estimate of a fair and reasonable value for that investment.

g Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange ruling at the date of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the net capital gains/(losses) for the period.

JUNIOR OILS TRUST

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2018

ACCOUNTING POLICIES

h Cash and bank balances

Cash and bank balances include deposits held at call with banks. Bank overdrafts are shown within creditors in liabilities.

i Financial assets

The authorised fund manager has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of the Trust's financial instruments.

Financial assets are recognised in the Trust's balance sheet when the Trust becomes a party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Basic financial assets, which include amounts receivable for the issue of units, accrued income and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost. Amortised cost is the amount at which the financial asset is measured at initial recognition, less any reduction for impairment or uncollectability.

Basic financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in the SOTR.

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

j Financial liabilities

Financial liabilities are recognised in the Trust's balance sheet when the Trust becomes a party to the contractual provisions of the instrument.

Financial liabilities are classified into specified categories. The classification depends on the nature and purpose of the financial liabilities and is determined at the time of recognition.

Basic financial liabilities, which include amounts payable for cancellation of units and accrued expenses, are initially measured at transaction price. Other financial liabilities are measured at fair value.

Financial liabilities are derecognised when, and only when, the Trust's obligations are discharged, cancelled, or they expire.

2 DISTRIBUTION POLICIES

a Basis of distribution

The policy of the Trust is to distribute any net revenue shown as such in the statement of total return. Revenue attributable to accumulation unitholders is retained at the end of each distribution period and represents a reinvestment of revenue.

b Apportionment to multiple unit classes

The authorised fund manager's periodic charge is directly attributable to individual unit classes. All other income and expenses are allocated to the unit classes pro-rata to the value of the net assets of the relevant unit class on the day that the income or expenses are recognised.

JUNIOR OILS TRUST

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2018

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.

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.

4 NET CAPITAL GAINS/(LOSSES)

The net gains/(losses) on investments during the year comprise:

	31 August 2018	31 August 2017
	£	£
Non-derivative securities	2,093,245	1,586,915
Currency gains/(losses)	(15,361)	(34,956)
Transaction charges	(1,927)	(1,921)
Net capital gains/(losses)	2,075,957	1,550,038

JUNIOR OILS TRUST

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2018

5 PURCHASES, SALES AND TRANSACTION COSTS

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

	31 August 2018 £	31 August 2017 £
Purchases excluding transaction costs	1,571,200	3,742,500
Corporate actions	444,266	808,688
	<u>2,015,466</u>	<u>4,551,188</u>
Commissions	2,843	6,613
Taxes and other charges	2,381	4,324
Total purchase transaction costs	<u>5,224</u>	<u>10,937</u>
Purchases including transaction costs	<u><u>2,020,690</u></u>	<u><u>4,562,125</u></u>
Purchase transaction costs expressed as a percentage of the principal amount:		
Commissions	0.18%	0.18%
Taxes and other charges	0.15%	0.12%
Sales excluding transaction costs	3,804,970	6,940,411
Corporate actions	0	26,298
	<u>3,804,970</u>	<u>6,966,709</u>
Commissions	(6,249)	(14,380)
Taxes and other charges	0	(37)
Total sale transaction costs	<u>(6,249)</u>	<u>(14,417)</u>
Sales net of transaction costs	<u><u>3,798,721</u></u>	<u><u>6,952,292</u></u>
Sale transaction costs expressed as a percentage of the principal amount:		
Commissions	0.16%	0.21%
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	0.08%	0.16%
Taxes and other charges	0.02%	0.03%
	<u>0.10%</u>	<u>0.19%</u>
Transaction handling charges	<u><u>£1,927</u></u>	<u><u>£1,921</u></u>

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

3.23% 3.12%

6 REVENUE

	31 August 2018 £	31 August 2017 £
UK dividends	21,000	0
Overseas dividends	5,573	0
Bank interest	558	129
Total revenue	<u><u>27,131</u></u>	<u><u>129</u></u>

JUNIOR OILS TRUST

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2018

7 EXPENSES

	31 August 2018 £	31 August 2017 £
Payable to the authorised fund manager or associate:		
Manager's periodic charge	156,568	189,796
Registration fees	2,142	2,402
	<u>158,710</u>	<u>192,198</u>
Payable to the trustee or associate:		
Trustee's fees	4,006	4,863
Safe custody fees	1,766	2,389
Interest	374	284
	<u>6,146</u>	<u>7,536</u>
Other expenses:		
Financial Conduct Authority fee	79	164
Audit fee	4,132	3,300
	<u>4,211</u>	<u>3,464</u>
Total expenses	<u><u>169,067</u></u>	<u><u>203,198</u></u>

8 TAXATION

	31 August 2018 £	31 August 2017 £
a Analysis of the tax charge for the year		
Overseas tax	841	0
Total tax charge	<u>841</u>	<u>0</u>

There is no corporation tax charge for the year (31.08.17 - Nil)

b Factors affecting the tax charge for the year		
Net expense before taxation	(141,936)	(203,069)
Corporation tax at 20%	(28,387)	(40,614)
Effects of:		
Revenue not subject to taxation	(5,315)	0
Unrelieved excess management expenses	33,702	40,614
Overseas tax	841	0
Current tax charge	<u>841</u>	<u>0</u>

At 31 August 2018 the Trust has deferred tax assets of £916,242 (31.08.17 - £882,540) arising from surplus management expenses, which have not been recognised due to uncertainty over the availability of future taxable profits.

9 DISTRIBUTIONS

	31 August 2018 £	31 August 2017 £
The distributions take account of revenue deducted on the issue of units and revenue received on the cancellation of units, and comprise:		
Amounts received on cancellation of units	(9,566)	(20,090)
Amounts deducted on issue of units	2,346	10,530
Equalisation on conversions	(229)	(776)
Distributions	<u>(7,449)</u>	<u>(10,336)</u>
Net deficit of revenue for the year	(135,328)	(192,733)
Net expense after taxation for the year	<u>(142,777)</u>	<u>(203,069)</u>

10 DEBTORS

	31 August 2018 £	31 August 2017 £
Amounts receivable for issue of units	46,046	478
Accrued income	288	48
Total debtors	<u>46,334</u>	<u>526</u>

JUNIOR OILS TRUST

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2018

11 OTHER CREDITORS

	31 August 2018 £	31 August 2017 £
Amounts payable for cancellation of units	4,474	80,350
Accrued expenses	21,098	19,841
Total other creditors	<u>25,572</u>	<u>100,191</u>

12 RELATED PARTIES

The manager is involved in all transactions in the units of the Trust, the aggregate values of which are set out in the statement of change in net assets attributable to unitholders.

Amounts paid to the manager in respect of the manager's periodic charge and registration fees are disclosed in note 7.

The total amounts due to/(from) the manager at the year end were as follows:

	31 August 2018 £	31 August 2017 £
Marlborough Fund Managers Ltd	(27,016)	94,286

13 UNITHOLDERS' FUNDS

The Trust currently has three unit classes: Class C (minimum investment £1,000); Class I (minimum investment £50,000); and Class P (minimum investment £1,000,000). The annual management charges are 1.75%, 1.25% and 1.1% respectively.

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 2017	6,900,281	396,239	6,882,646
Units issues	119,434	83,975	910,593
Units cancellations	(748,056)	(22,485)	(2,404,466)
Units conversions	(277,586)	29,078	228,519
Closing units in issue at 31 August 2018	<u>5,994,073</u>	<u>486,807</u>	<u>5,617,292</u>

14 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 £525,627 (31.08.17 - £509,867). A five per cent decrease would have an equal and opposite effect.

Foreign currency risk

At the 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 can be affected by exchange rate movements.

Foreign currency exposure at 31 August 2018

	Investments £	Net current assets £	Total £
Australian Dollar	3,511,578	0	3,511,578
Canadian Dollar	2,962,023	0	2,962,023
Norwegian Kroner	415,965	0	415,965
US Dollar	0	(95)	(95)
	<u>6,889,566</u>	<u>(95)</u>	<u>6,889,471</u>

Foreign currency exposure at 31 August 2017

	Investments £	Net current assets £	Total £
Australian Dollar	2,470,585	0	2,470,585
Canadian Dollar	3,648,165	0	3,648,165
Norwegian Kroner	930,440	22,818	953,258
	<u>7,049,190</u>	<u>22,818</u>	<u>7,072,008</u>

JUNIOR OILS TRUST

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2018

RISK DISCLOSURES

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 £344,474 (31.08.17 - £353,600). A five per cent increase would have an equal and opposite effect.

Liquidity risk

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

	31 August 2018 £	31 August 2017 £
Within one year:		
Bank overdrafts	35,363	97,102
Other creditors	25,572	100,191
	<u>60,935</u>	<u>197,293</u>

15 FAIR VALUE HIERARCHY FOR INVESTMENTS

Basis of valuation	31 August 2018		31 August 2017	
	Assets (£)	Liabilities (£)	Assets (£)	Liabilities (£)
Level 1 - Quoted prices	10,512,548	0	10,195,023	0
Level 2 - Observable market data	0	0	0	0
Level 3 - Unobservable data	0	0	2,312	0
	<u>10,512,548</u>	<u>0</u>	<u>10,197,335</u>	<u>0</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 Fund 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.

Level 3 - Valuation techniques using unobservable inputs.

Burj Petroleum is being dissolved and deemed valueless by the fund manager.

Circle Oil is delisted and deemed valueless by the fund manager.

Tienpay is not tradeable and is deemed valueless by the fund manager.

Marlborough

— Fund Managers —

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