

**Company Registration No. 07874049**

**First Trust Global Portfolios Limited**

**Annual Report and Financial Statements**

**For the year ended 31 December 2021**

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# **First Trust Global Portfolios Limited**

## **Annual Report and Financial Statements for the year ended 31 December 2021**

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# **First Trust Global Portfolios Limited**

## **Annual Report and Financial Statements for the year ended 31 December 2021**

### **Officers and professional advisers**

#### **Directors**

D McGarrell  
J Bowen  
A Roggensack  
L Da Costa  
D Fulton

#### **Secretary**

W S Jardine

#### **Registered Office**

Floor 2,  
8 Angel Court  
London  
EC2R 7HJ

#### **Registered Number**

07874049 (England and Wales)

#### **Auditor**

Deloitte LLP  
Regency Court  
Glategny Esplanade  
Guernsey  
GY1 3HW

# First Trust Global Portfolios Limited

## Strategic report

The principal activity of First Trust Global Portfolios Limited (the "Company") in the period under review was in asset management.

The Company's core activity is the distribution of collective investment schemes managed by its parent company. It derives revenue based on a percentage of the assets under management "AUM" of these funds. The principal risk that the Company faces is that the AUM of the funds falls materially or fails to grow over the medium term reducing the company's potential for revenue growth. The AUM may fail to grow as a result of poor performance of the investment funds or generally weak market conditions. In addition, the Company acts as sub investment advisor to two US 40 Act investment funds, and one Irish Domiciled UCITS ETF managed by First Trust Advisors LP, an entity with the same ultimate controlling party as the Company. The company further acts an investment advisor to three insurance mandates domiciled in Luxembourg and France.

### Review of business

Key performance indicators for the year continued to be focused on the growth in assets under management in the investment products that the Company manages and distributes. The Company's fee revenue derives from a percentage share of the annual management charge of the collective investment schemes that it provides services to. An increase in the AUM of these funds generates higher revenue for the Company. At the end of the year the total assets under management from which the Company derives fees for its services amounted to c. \$1,772 million (2020: c.\$1,154 million). During the period the coronavirus (COVID-19) outbreak has caused extensive disruptions to businesses and economic activities globally however the Company continued to operate at full capacity with staff working from home and our assets under management continued to increase over the period.

The Company is in its ninth year of operations and has continued to invest in its sales and distribution capacity over the course of the year, producing a profit for the third year in a row during a very challenging time for all businesses with the global impact of the COVID-19 pandemic. Revenues for 2021 were £16,447,133 (2020: 13,063,187) versus costs of £15,050,556 (2020: £11,964,015) (see page 11). The majority of the Company's revenue in 2021 was derived from the transfer pricing agreement in place with the USA based "parent company" First Trust Global Enterprises LP.

Costs of £15,050,556 are predominantly driven by the costs of staff compensation as well as further costs relating to expanding the business.

As at 31 December 2021 the Company had paid-in capital of £10,865,000 (2020: £10,865,000) and ended the year with net assets of £6,036,558, (2020: £4,924,684) consisting of £5,733,392 (see page 12) in net current assets of which £2,025,516 was cash at bank.

The Company has occupied premises at 8 Angel Court, London since May 2013 under two consecutive five-year commercial property leases on c. 3,000 sq. ft. of office space. The Company spent £123,773 re-fitting out this office space in 2018 and has capitalised this cost, amortising it over the five-year lease.

The Company acts as distributor to First Trust Global Funds PLC, a self-managed UCITS collective investment scheme domiciled in Ireland. There are twenty three UCITS ETF sub funds in the umbrella. Two UCITS ETF's were launched during the year. One UCITS Mutual fund was launched during the year. The UCITS ETFs are listed and traded primarily on the London Stock Exchange, with secondary listings across a range of other European exchanges and are registered for public distribution in Austria, France, Germany, Iceland, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, Finland, Denmark, Switzerland and the United Kingdom.

The Company is currently regulated as a BIPRU investment firm authorised and regulated by the Financial Conduct Authority ("FCA").

The Company is registered with the Securities and Exchange Commission ("SEC") in the United States, as an Overseas Registered Investment Advisor. The Company continues to act as investment sub advisor to two US 40 Act funds managed by First Trust Advisors LP, an entity with the same ultimate controlling party as the Company. In addition the Company acts as an investment advisor to insurance mandates domiciled in Luxembourg. The total AUM under the sub advice agreement and the mandates is c. £242 million (2020: £241million).

Three members of staff transferred to the companies affiliated Irish entity during the year. The Irish entity had a total of five employees at the year end and is actively recruiting another three in 2022. In addition to the transfers there

# First Trust Global Portfolios Limited

## Strategic report

were 2 leavers and 3 joiners to the company in London. The Company expects to recruit up to five full-time employees over the course of 2022.

The directors are satisfied with the results of the Company for the year and with the net assets position as at 31 December 2021.

### Section 172(1) statement

The directors of the Company, in line with their duties under s172 of the Companies Act 2006, act in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of all its stakeholders. Key decisions and matters that are of strategic importance to the Company are made with regard (amongst other matters) to: (a) the likely consequences of any decision in the long term; (b) the interests of the Company's employees; (c) the need to foster the Company's business relationships with suppliers, customers and others; (d) the impact of the Company's operations on the community and the environment; (e) the desirability of the Company maintaining a reputation for high standards of business conduct; and (f) the need to act fairly between members of the company.

Our key stakeholders are:

- our people who being a small team of around 30 are all actively included, communicated with, trained and engaged with the business. The Company prides themselves on holding the Company and its people to the highest ethical standards
- our clients which include other entities within our group. We seek and receive constant feedback and adapt our services where required to meet their needs.
- Our suppliers who are all paid promptly. We prefer to continue relationships with our suppliers and work with them to improve services.
- Our community and the environment where we engage in charitable activities and are moving to more sustainable office practices with recycling, online meetings etc

### Impact of leaving the European Union

On 23 June 2016, the United Kingdom voted to leave the European Union in a non-binding referendum. On 29 March 2017, the UK government triggered Article 50 to begin the two-year process of the UK leaving the European Union. On 31 December 2020 the United Kingdom completed its separation from the European Union with the ending of the transition period which saw the UK withdrawing from following all the rules and institutions of the European Union, including the European Single Market, the European Union Customs Union, the Common Agricultural Policy and the Common Fisheries Policy and ended the future incorporation of all future EU Laws, Regulations and Directives into UK Law as well as most future judgements of the European Court of Justice. The regulatory regime that allows the Company to market the funds managed by its parent company in the European Economic Area has changed, as well as the regulatory regime applicable in the United Kingdom. In order to ensure a smooth transition of services some of the Company's personnel and activities have been transferred to another First Trust group company based within the European Union in Ireland. First Trust Global Portfolios Management Limited "FTGPM" has the same ultimate beneficial owner as the company but is incorporated in Dublin and is regulated by the Central Bank of Ireland allowing that entity to continue to distribute the First Trust funds in those EU countries without agreed regulatory equivalence with the UK. Relevant costs are being recharged from the company to FTGPM. The impact on the Company's profitability in the future is expected to be minimal. The Company continues to monitor the situation closely.

### Future developments and subsequent events

The Company's revenues are expected to continue to grow in 2022, primarily driven by the transfer pricing agreement with its parent and from investment management fees and advisory fees. The coronavirus (COVID-19) outbreak has continued to cause extensive disruptions to businesses and economic activities globally throughout 2021 and could cause further disruption in the future. In addition the invasion of Ukraine by the Russian Federation has also impacted the global economy as economic sanctions and the threat of war have caused unpredictability. The

## **First Trust Global Portfolios Limited**

### **Strategic report**

uncertainties over these events have caused market volatility on a global scale. The quantum of any future effect on the Company is difficult to determine, however the Directors are continuing to monitor the situation and consider the impact it may have on the Company.

Approved by the Board of Directors and signed on its behalf by:



D Fulton  
Director

# **First Trust Global Portfolios Limited**

## **Directors' report**

The directors present their report with the annual report and financial statements of the Company for the year ended 31 December 2021.

### **Going concern**

Following consideration of the relationship with the parent company and enquiries of the parent company who have indicated their willingness to provide financial support to the Company, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least twelve months from the approval of the financial statements. Thus, they continue to adopt the going concern basis in preparing the annual financial statements. During the period, the coronavirus (COVID-19) outbreak has caused extensive disruptions to businesses and economic activities globally. The United Kingdom also completed its separation from the European Union. The quantum of the effect on the Company of these events is difficult to determine, however the Directors are continuing to monitor the situation and consider any impact it may have on the Company.

### **Financial risk management objectives and policies**

The most significant risks the Company faces are that distribution and investment management revenues from its UCITS fund platform are lower than expected due to lower than expected sales of the company's investment products. The directors consider that further disclosure of financial risks and their mitigation is unnecessary given the nature of the Company's current operations and given that the Company has not used any financial instruments to manage financial risk throughout the current and prior year.

### **Dividends**

No dividends will be distributed for the year ended 31 December 2021. 2020: £nil.

### **Capital structure**

The Company must maintain minimum levels of share capital and liquid assets to meet the requirements set by the Financial Conduct Authority. These requirements have been met throughout the year.

### **Directors**

The directors who have served throughout the year and up to the date of this report are as follows:

D McGarrell  
J Bowen  
A Roggensack  
L Da Costa  
D Fulton

All the directors who are eligible offer themselves for election at the forthcoming Annual General Meeting.

### **Future developments and subsequent events**

Details of future developments and subsequent events can be found in the Strategic Report on page 3, and form part of this report by cross reference.

## **First Trust Global Portfolios Limited**

### **Directors' report**

#### **Statement as to disclosure of information to the auditor**

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditor is unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of s.418 of the Companies Act 2006.

#### **Auditor**

The auditor, Deloitte LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on its behalf by:



D Fulton  
Director

# **First Trust Global Portfolios Limited**

## **Directors' responsibilities statement**

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# **Independent auditor's report to the members of First Trust Global Portfolios Limited**

## **Report on the audit of the financial statements**

### **Opinion**

In our opinion the financial statements of First Trust Global Portfolios Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the cash flow statement; and
- the related notes 1 to 18.

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).

### **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 Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (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**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

### **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 directors are responsible for the other information contained within the annual report. 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.

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 course of the audit, or otherwise appears to be

## **Independent auditor's report to the members of First Trust Global Portfolios Limited**

materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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.

### **Responsibilities of Directors**

As explained more fully in the directors' responsibilities statement, the directors are 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 directors determine 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 directors are responsible for assessing the Company'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 directors either intend to liquidate the Company or to cease operations, 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 FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the Company's industry and its control environment, and reviewed the Company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the Company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act and relevant tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty. These included the Company's operating licences and regulatory solvency requirements.

We discussed among the audit engagement team including relevant internal specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud or non-compliance with laws and regulations in the following areas, and our specific procedures performed to address it are described below:

There is a risk that revenue recognition may not be in line with the transfer pricing agreement. We obtained an understanding of the design and implementation of the relevant controls over the revenue process and recalculated revenue recognised during the year in accordance with the transfer pricing agreement and checked intercompany invoices and bank statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness

## **Independent auditor's report to the members of First Trust Global Portfolios Limited**

of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing correspondence with the HMRC.

### **Report on other legal and regulatory requirements**

#### **Opinions on other matters prescribed by the Companies Act 2006**

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

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the Directors' report.

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

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or

We have nothing to report in respect of these matters.

#### **Use of our report**

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members 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 Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



John Clacy, ACA (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
St Peter Port, Guernsey  
26 April 2022

## First Trust Global Portfolios Limited

### Statement of Comprehensive Income For the year ended 31 December 2021

	Notes	2021 £	2020 £
Turnover	3	16,447,133	13,063,187
Administrative expenses		<u>(15,050,556)</u>	<u>(11,964,015)</u>
Operating profit		1,396,577	1,099,172
Profit on ordinary activities before taxation		<u>1,396,577</u>	<u>1,099,172</u>
Taxation	7	<u>(284,703)</u>	<u>(82,576)</u>
Net Profit after taxation		<u><u>1,111,874</u></u>	<u><u>1,016,596</u></u>

All results are derived from continuing operations.

There are no other gains or losses during the current or preceding year, other than as disclosed above. Accordingly, no separate Statement of Other Comprehensive Income has been prepared.

The accompanying notes on pages 15 to 25 form an integral part of these financial statements.

# First Trust Global Portfolios Limited

## Statement of Financial Position As at 31 December 2021

	Notes	2021 £	2020 £
<b>Fixed assets</b>			
Tangible assets	9	22,935	48,036
		<u>22,935</u>	<u>48,036</u>
<b>Non-current assets</b>			
Deposit	10	162,782	162,782
Deferred tax asset	8	117,449	402,152
		<u>280,231</u>	<u>564,934</u>
<b>Current assets</b>			
Debtors	11	7,203,872	5,808,385
Cash at bank		2,025,516	1,242,939
		<u>9,229,388</u>	<u>7,051,324</u>
<b>Creditors: amounts falling due within one year</b>	12	<u>(3,495,996)</u>	<u>(2,739,610)</u>
<b>Net current assets</b>		<u>5,733,392</u>	<u>4,311,714</u>
<b>Total assets less current liabilities</b>		<u>6,036,558</u>	<u>4,924,684</u>
<b>Net assets</b>		<u>6,036,558</u>	<u>4,924,684</u>
<b>Capital and reserves</b>			
Share capital	14	81,843	81,843
Share premium account	14	10,783,157	10,783,157
Profit and loss account		(4,828,442)	(5,940,316)
<b>Shareholders' funds</b>		<u>6,036,558</u>	<u>4,924,684</u>

The accompanying notes on pages 15 to 25 form an integral part of the financial statements.

The financial statements of First Trust Global Portfolios Limited, registered number 07874049, were approved by the Board of Directors and authorised for issue on 26<sup>th</sup> April 2022.

They were signed on its behalf by:



D Fulton  
Director

## First Trust Global Portfolios Limited

### Statement of changes in equity For the year ended 31 December 2021

Notes	Called-up share capital £	Share premium account £	Profit and loss account £	Total £
At 1 January 2020	81,843	10,783,157	(6,956,911)	3,908,089
Profit for the financial year	-	-	1,016,596	1,016,596
At 31 December 2020	<u>81,843</u>	<u>10,783,157</u>	<u>(5,940,316)</u>	<u>4,924,684</u>
Profit for the financial year	-	-	1,111,874	1,111,874
At 31 December 2021	<u>81,843</u>	<u>10,783,157</u>	<u>(4,828,442)</u>	<u>6,036,558</u>

The accompanying notes on pages 15 to 25 form an integral part of these financial statements.

## First Trust Global Portfolios Limited

### Cash flow statement For the year ended 31 December 2021

	Notes	2021 £	2020 £
Net cash flows generated in operating activities	17	782,577	403,108
Net increase in cash and cash equivalents		<u>782,577</u>	<u>403,108</u>
Cash and cash equivalents at beginning of year		<u>1,242,939</u>	<u>839,831</u>
Cash and cash equivalents at end of year		<u><u>2,025,516</u></u>	<u><u>1,242,939</u></u>

The accompanying notes on pages 15 to 25 form an integral part of these financial statements.

# First Trust Global Portfolios Limited

## Notes to the financial statements For the year ended 31 December 2021

### 1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

#### General information and basis of accounting

First Trust Global Portfolios Limited (the "Company") is a private company limited by shares, registered in England and Wales and incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 2 to 4.

The financial statements have been prepared under the historical cost convention, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of the Company is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

#### Going Concern

The financial statements have been prepared using the going concern basis of accounting. Following consideration of the relationship with Company's parent company and enquiries of the parent company who have indicated their willingness to provide financial support to the Company, there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the next twelve months from the approval of these financial statements and as a result have continued to apply the going concern basis. The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report.

The directors' report further describes the financial position of the Company.

#### Turnover

Turnover is stated net of VAT and trade discounts and is recognised when the significant risks and rewards are considered to have been transferred to the buyer. Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the fair value of the consideration received or receivable.

Turnover comprises net invoiced sales of services provided under the transfer pricing agreement with its parent company. This arose entirely within the UK. It also includes consulting services provided to its parent company for work done in the UK and in the EU.

#### Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided at the following annual rates in order to write off the cost, less estimated residual value, of each asset over its estimated useful life.

Leasehold improvements	-	20% on cost (five-year lease)
Fixtures and fittings	-	20% on cost

# First Trust Global Portfolios Limited

## Notes to the financial statements (continued) For the year ended 31 December 2021

### 1. Accounting policies (continued)

#### Financial instruments

The Company has chosen to apply the disclosure requirements of FRS 102 sections 11 and 12 in respect of financial instruments. Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

#### Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments that have no stated interest rate (and do not constitute financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment. These are subsequently measured at amortised cost.

Financial assets are derecognised when and only when (a) the contractual rights to the cash flows from the financial asset expire or are settled, asset expire or are settled, (b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or (c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

#### Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

#### *Non-financial assets*

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

# First Trust Global Portfolios Limited

## Notes to the financial statements (continued) For the year ended 31 December 2021

### 1. Accounting policies (continued)

#### Impairment of assets (continued)

##### *Financial assets*

For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

#### **Taxation**

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

#### **Leases**

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

#### **Foreign currencies**

Transactions in foreign currencies are recognised at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

#### **Employee benefits**

The Company's UK based employees are members of a defined contribution plan. A defined contribution plan is a pension plan under which the Company pays contributions into a separate entity and has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The contributions to defined contribution plans are recognised as an employee benefit expense in the period to which they relate.

# First Trust Global Portfolios Limited

## Notes to the financial statements (continued) For the year ended 31 December 2021

### 2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following critical accounting estimates and judgements are disclosed as relevant throughout these financial statements.

The directors are required to use their judgement to assess the value of deferred tax assets. This is done by reference to future forecasts. The directors are currently of the opinion that the future profitability of the company is sufficiently material and determinable at the accounting reference date to justify the recognition of a deferred tax asset. This will continue to be monitored in future accounting periods.

Due to the nature of the Company's business and having considered the key sources of income and expenditure, balance sheet items and the Company's accounting policies, the Directors do not believe there are any additional critical accounting judgments or key sources of estimation uncertainty other than described above.

### 3. Turnover

Turnover comprises the below related party transactions (see note 16)

Turnover is derived in the United Kingdom

	2021	2020
	£	£
Transfer pricing agreement with parent	15,610,810	12,683,083
Income services agreement with related party	326,970	-
Investment advisory income	501,983	330,490
Investment mandate income	7,370	49,614
	<u>16,447,133</u>	<u>13,063,187</u>

# First Trust Global Portfolios Limited

## Notes to the financial statements (continued) For the year ended 31 December 2021

### 4. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2021	2020
	£	£
Depreciation - owned assets (Note 9)	25,101	25,113
	<u>2021</u>	<u>2020</u>
	£	£
Rent – Operating lease (Note 15)	188,680	188,680
	<u>2021</u>	<u>2020</u>
	£	£
Fees payable to the Company's auditor for:	28,600	24,875
Audit of the statutory annual accounts	4,583	3,985
CASS regulatory audit	8,975	8,975
Taxation services	<u>42,158</u>	<u>37,835</u>

### 5. Staff numbers and costs

For the both the 2021 and 2020 financial statements the company has accrued for the discretionary bonuses paid in January 2022 and 2021 respectively. Whilst there is no legal obligation to pay the bonuses the company notes that given the past practice of paying such bonuses and the recent profitability of the Company a constructive obligation has built up over time. As there is a transfer pricing arrangement with the parent company the net impact of the bonus accrual was £274,614 The Directors remuneration figures in note 6 include the bonus paid in the following January to reflect the annual cost of the directors.

	Number	Number
Average number of employees	32	34
Administration and sales (does not include executive directors)	<u>2021</u>	<u>2020</u>
	£	£
Their aggregate remuneration comprised:	2,890,113	2,742,574
Wages and salaries	1,207,520	800,202
Social security costs	7,037,817	4,733,636
Discretionary bonus	258,034	230,849
Pension and health benefits	<u>11,393,484</u>	<u>8,507,261</u>

# First Trust Global Portfolios Limited

## Notes to the financial statements (continued) For the year ended 31 December 2021

### 6. Directors' remuneration

Company salary was paid to two individuals who are directors of First Trust Global Portfolios Ltd.

	2021 £	2020 £
Remuneration	428,500	420,000
Discretionary bonus	1,678,000	1,089,000
	<u>2,106,500</u>	<u>1,509,000</u>
	2021 £	2020 £
<b>Remuneration of the highest paid director</b>		
Remuneration	250,000	200,000
Discretionary bonus	1,100,000	675,000
	<u>1,350,000</u>	<u>875,000</u>

### 7. Tax on profit on ordinary activities

There was a tax charge in the year of £284,703 (2020: Tax charge of £82,576).

The difference between the total tax charge shown above, and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

	2021 £	2020 £
Profit for the financial year, before taxation	1,396,577	1,099,172
UK Corporation tax charge/credit at 19%	263,350	208,843
Effects of:		
Disallowed expenses and non-taxable income	23,963	27,808
Prior year adjustment	(4,609)	-
Tax rate changes	-	(57,027)
Deferred Tax not provided	-	(97,047)
Rounding	(1)	(1)
Total tax charge for the year	<u>284,703</u>	<u>82,576</u>

The Finance Bill 2016 included provisions to reduce the main rate of corporation tax to 17% from 1 April 2020. However, in the March 2020 Budget it was announced that the cut in the rate to 17% will now not occur and the Corporation Tax Rate will be held at 19%. The March 2021 Budget announced a further increase to the main rate of corporation tax to 25% from April 2023. This change has been enacted at the balance sheet date and therefore the deferred tax assets and liabilities as at 31 December 2021 have been measured using the rates that would be expected to apply in the periods when the underlying timing differences, on which deferred tax is recognised, are expected to unwind.

## First Trust Global Portfolios Limited

### Notes to the financial statements (continued) For the year ended 31 December 2021

#### 8. Deferred tax

A deferred tax asset was recognised in the year of £117,449 (2020: £402,152)

The difference between the total tax charge shown above, and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

#### Deferred tax assets

	2021 £	2020 £
Deferred tax charge / (credit) to income statement for the period	284,703	82,576
Provision for the year	<u>(117,449)</u>	<u>(402,152)</u>
	2021 £	2020 £
Fixed asset timing differences	(6,507)	(3,405)
Short term timing differences	(5,886)	(3,303)
Losses	<u>(105,056)</u>	<u>(395,444)</u>
Deferred tax asset	<u>(117,449)</u>	<u>(402,152)</u>

Due to future profit forecasts, the company has determined it would be appropriate to recognise deferred tax assets on all the carried forward losses. Losses of £1,585,376 have been used in the current year against taxable income, with a deferred tax asset of £105,056 recognised based on losses carried forward of £552,927. The £105,056 is based on the expectation that the company should generate c.£1m taxable trading profit per annum for 2022 to 2024.

The Finance Bill 2016 included provisions to reduce the main rate of corporation tax to 17% from 1 April 2020. However, in the March 2020 Budget it was announced that the cut in the rate to 17% will now not occur and the Corporation Tax Rate will be held at 19%. The March 2021 Budget announced a further increase to the main rate of corporation tax to 25% from April 2023. This change has been enacted at the balance sheet date and therefore the deferred tax assets and liabilities as at 31 December 2021 have been measured using the rates that would be expected to apply in the periods when the underlying timing differences, on which deferred tax is recognised, are expected to unwind.

# First Trust Global Portfolios Limited

## Notes to the financial statements (continued) For the year ended 31 December 2021

### 9. Fixed assets

	Fixtures and fittings £	Leasehold improvements £	Total £
<b>Cost</b>			
At 1 January 2021	170,000	70,919	240,919
At 31 December 2021	<u>170,000</u>	<u>70,919</u>	<u>240,919</u>
<b>Depreciation</b>			
At 1 January 2021	121,964	70,919	192,883
Charge for the year	25,101	-	25,101
At 31 December 2021	<u>147,065</u>	<u>70,919</u>	<u>217,984</u>
<b>Net book value</b>			
At 31 December 2021	<u>22,935</u>	<u>-</u>	<u>22,935</u>
At 31 December 2020	<u>48,036</u>	<u>-</u>	<u>48,036</u>

### 10. Deposit

	2021 £	2020 £
Deposit for Angel Court	<u>162,782</u>	<u>162,782</u>

A deposit is held by the landlord of FTGP's offices in an escrow account for the duration of the lease of the Angel Court premises. Lease expires in May 2023.

### 11. Debtors: amounts falling due within one year

	2021 £	2020 £
Accrued income	6,671,308	5,391,331
Prepayments	423,368	264,998
VAT recoverable	109,196	152,056
	<u>7,203,872</u>	<u>5,808,385</u>

# First Trust Global Portfolios Limited

## Notes to the financial statements (continued) For the year ended 31 December 2021

### 12. Creditors: amounts falling due within one year

	2021 £	2020 £
Trade creditors	92,902	70,622
Accruals	3,288,090	2,567,855
Other tax and social security	115,004	101,133
	<u>3,495,996</u>	<u>2,739,610</u>

### 13. Financial Instruments

The carrying values of the Company's financial assets and liabilities are summarised by category below:

	2021 £	2020 £
<i>Financial assets</i>		
Measured at amortised cost:		
Trade and other debtors (see Note 11)	<u>6,780,504</u>	<u>5,543,387</u>
<i>Financial liabilities</i>		
Measured at amortised cost:		
Trade and other creditors (see Note 12)	<u>3,495,996</u>	<u>2,739,610</u>

### 14. Share capital

	2021 £	2020 £
<b>Allotted, called-up and fully paid</b>		
8,184,305 ordinary shares of £0.01 each (2020: 8,184,305)	<u>81,843</u>	<u>81,843</u>

No shares were allotted in 2021 or 2020.

## First Trust Global Portfolios Limited

### Notes to the financial statements (continued) For the year ended 31 December 2021

#### 14. Share capital (continued)

The ordinary shares are broken down as follows:

	2021			2020		
	Number of Shares £	Nominal Value £	Share premium £	Number of Shares	Nominal Value £	Share Premium £
Ordinary shares	7,790,000	77,900	7,712,100	7,790,000	77,900	7,712,100
A ordinary shares	1	-	200,000	1	-	200,000
B ordinary shares	3	-	375,000	3	-	375,000
C ordinary shares	1	-	-	1	-	-
D ordinary shares	75,377	754	499,246	75,377	754	499,246
E ordinary shares	63,736	637	499,363	63,736	637	499,363
F ordinary shares	55,744	557	499,443	55,744	557	499,443
G ordinary shares	49,861	499	499,501	49,861	499	499,501
H ordinary shares	149,582	1,496	498,504	149,582	1,496	498,504
	<u>8,184,305</u>	<u>81,843</u>	<u>10,783,157</u>	<u>8,184,305</u>	<u>81,843</u>	<u>10,783,157</u>

Shares rank equally for voting purposes. On a show of hands each member shall have one vote and on a poll each member shall have one vote per share held. Each share ranks equally for any dividend declared. Each share ranks equally for any distribution made on a winding up. Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issue of shares are deducted from the share premium. There are no such deductions included in the current share premium balance (2020: none). The shares are not redeemable.

#### 15. Operating lease commitments

The Company has annual commitments for future minimum lease payments under a non-cancellable operating lease for the rent of its corporate offices, which falls due as follows:

	2021 £	2020 £
Within one year	188,680	188,680
Between 1 and 5 years	40,177	228,857
	<u>228,857</u>	<u>417,537</u>

Operating lease payments represent rentals payable by the Company for the office premises occupied. The current lease was renegotiated in 2018 and expires in May 2023.

## First Trust Global Portfolios Limited

### Notes to the financial statements (continued) For the year ended 31 December 2021

#### 16. Related party transactions

The Company recognised income of £501,983 (2020: £330,490) from First Trust Portfolios LP an entity with the same ultimate controlling party as the Company. £44,257 was receivable at the year end (2020: £33,435).

The Company recognised income of £15,610,810 (2020: £12,683,083) from First Trust Global Enterprises L.P the immediate and ultimate parent company under a transfer pricing agreement introduced during 2017. £6,439,235 was receivable at the year end (2020: £5,333,136).

The Company recognised income of £326,970 (2020: £nil) from First Trust Global Portfolios Management Ltd an entity with the same ultimate controlling party as the Company. £187,816 was receivable at the year end (2020: £nil).

The total remuneration for key management personnel for the period totalled £2,106,500 (2020: £1,509,000), as disclosed in note 6.

#### 17. Notes to the Cash Flow Statement

	2021	2020
	£	£
<b>Reconciliation of operating profit to cash generated / (used) in operations:</b>		
Operating profit	1,396,577	1,099,172
Adjust for depreciation charges	25,101	25,113
Other foreign exchange losses	-	(1)
	<hr/>	<hr/>
<b>Operating cash flow before movement in working capital</b>	<b>1,421,678</b>	<b>1,124,284</b>
Increase in debtors	(1,395,487)	(1,730,393)
Increase in creditors	756,386	1,009,217
	<hr/>	<hr/>
<b>Net cash flows used in operating activities</b>	<b><u>782,577</u></b>	<b><u>403,108</u></b>

The only non-cash transaction to note in the year is depreciation of tangible fixed assets (note 9). There are no restrictions on cash and cash equivalents with the entire amount available for immediate use by the Company.

#### 18. Controlling party

The immediate and ultimate parent company is First Trust Global Enterprises LP, a partnership established in the USA and registered at 120 E. Liberty Drive, Wheaton, Illinois 60187, which is controlled by James Bowen.

First Trust Global Enterprises LP is the largest and smallest group which consolidates the results of the Company and for which group accounts are prepared.