MIFIDPRU Disclosures

Introduction

Background

Hybridan LLP ("Hybridan" or the "Firm") is authorised and regulated by the Financial Conduct Authority ("FCA") under Individual Reference Number 464113.

From 1 January 2022, Hybridan was designated as a Small and Non-Interconnected (SNI) MIFIDPRU firm under the FCA Prudential Sourcebook for MiFID Investment Firms ("MIFIDPRU"). SMI Firms have lighter prudential requirements and must meet specific thresholds such as not dealing on own account, holding less than £75 million in assets under management, and not holding client money unless specific conditions are met. This document sets out the Investment Firm Prudential Regime ("IFPR") disclosures for the Firm in accordance with MIFIDPRU, Chapter 8. This includes transitional provisions relating to disclosures as outlined in MIFIRDPRU TP12.

MiFIDPRU applies broadly to all MiFID firms, with capital requirements varying based on SNI or non-SNI status and specific risk factors (e.g., K-factors). MiFIDPRU introduces new concepts like the Internal Capital and Risk Assessment (ICARA) process and a tiered remuneration code, replacing the older IFPRU requirements like the Internal Capital Adequacy Assessment Process (ICAAP).

Compliance with the Capital Requirements Directive ensures that the amount and quality of regulatory capital that it holds is commensurate with the risks it is exposed to.

Basis and frequency of disclosure

The Firm has an accounting reference date of 31 March and the information in this document has been prepared as at the date of 31 March 2025. The disclosures have been prepared as part of the annual audit for the year ending 31 March 2025. Disclosures have been reviewed and approved by the Firm's Partners (who are its senior management) and reviewed by the Firm's auditors and financial regulatory compliance consultant.

MIFIDPRU 8 disclosures are made annually and published on the Firm's website (https://hybridan.com/policy-hub/) as soon as practicable after completion of the annual financial statements unless circumstances warrant update on a more frequent basis.

Corporate structure and business

Hybridan is a London-based Limited Liability Partnership (LLP). The Firm is a Corporate Finance advisory firm whose primary activity is the provision of investment management services. There are no other operating entities owned by Hybridan.

Hybridan was incorporated on 2 January 2007. Its Part IV Permission allows it to advise on, arrange (bring about) deals in, make arrangements with a view to transactions in, and deal as agent in, investments for, Professional Clients and Eligible Counterparties.

Hybridan cannot hold or control Client Money or hold or control Client Assets. Hybridan has no direct market access and is not involved in direct market broking or trading activities, market making, or any fund management.

Hybridan has applied a Corporate Finance Only limitation since 10 January 2023.

The primary business of the firm is that of corporate broker to smaller quoted or listed and sometimes non-quoted or non-listed private companies. These companies can be listed or quoted on the AIM, Main Market Standard List companies or AQSE Stock Markets.

There are four partners in the business who hold Senior Management Functions and there are also certificated staff members and more junior members to whom Conduct Rules Apply.

All of the partners and certificated staff members have Statements of Duties and Responsibilities and have an Annual Assessment of Competence process and document, alongside an Annual Certificate of Competence.

Hybridan acts as a Nominated Broker for AIM purposes and is a member of the London Stock Exchange. Hybridan acts as an AQSE Corporate Adviser and AQSE Corporate Broker for AQSE purposes.

Governance arrangements

Board

The Firm is a partnership, and the senior governing body, equivalent to a board of directors, are the three individual partners in the business.

The Board is updated at least quarterly and provides strategic leadership, sets the strategic objectives, ensures that the necessary financial and human resources are in place to meet its objectives, and reviews management performance in meeting those objectives.

The Board sets the firm's values and standards and ensures that its obligations to other stakeholders are clearly understood.

The Board has ultimate responsibility for the overall risk management process and for forming an opinion as to its effectiveness.

New Business Committee ("NBC")

The NBC is formed of certificated staff members and the Compliance Officer to manage and oversee new business proposals and client risk assessments consistent with the overall risk appetite set by the Board which meets weekly and more often as required. The NBC is responsible for considering and approving the taking on of every new client.

The NBC also conducts weekly reviews of all existing clients.

Internal Management Meetings

The Managing Partner meets weekly with the Head of Corporate Broking and separately with the senior Analyst in Research to discuss the daily management, implementation of strategy and oversight of the business.

The Compliance Officer takes any issues raised to externally contracted compliance expertise where necessary to consider any issues raised to it by the NBC, and, if necessary, bringing the Board's attention to any matter that should be known and considered by the Board.

Regulatory compliance explicitly includes appropriate segregation of duties and the management of conflicts of interest (through measures including physical and procedural barriers, explicit consideration at NBC and Board meetings and policies governing personal account dealing inter alia).

Hybridan is not required by the MIFIDPRU rules to establish a risk, remuneration or nomination committee. Matters designed to be covered by these committees are covered by a combination of the firm's NBC, management meetings internally and Board as described above.

Risk Management

The Managing Partner and Partners are responsible for identifying risk and setting risk appetite.

As there is no Market Risk and Credit Risk (including Concentration Risk) will only relate to receivables in the form of trade debtors and prepayments, and these will be tightly controlled by the Managing Partner, the focus of the Hybridan risk management framework will be on Operational and other associated risks. A full list of risk factors considered by the firm's Managing Partner is set out below.

Risk 1: Inflationary pressures and lower growth environment

Existing cash reserves and stability in the business, have provided Hybridan with a sustainable financial position for both the short and medium terms. The Board continues to closely monitor and assess developments, and listed SMEs (our client base) continue to face challenges in this environment of further regulatory and audit changes, changes in the primary and secondary markets' structures and also ongoing inflation and other pressures related to the performance of SMEs from a share price perspective and also when it comes to the number of potential investors that invest in listed micro and small cap companies.

Risk 2: Key person risk and hiring

Hybridan's business strategy is dependent on generating sufficient income from transactional revenues and retainer income. The firm is dependent on several key individuals. The business is focused on hiring those who are both well connected in the small cap market and who have the ability to generate revenues and introduce new corporate clients, and the next generation of enthusiastic salespeople, corporate brokers, and corporate financiers. Hybridan is committed to Diversity and Inclusion (D&I) and focused on hiring both the best from a diverse broad base of candidates always. The current climate and push to ESG policies and best practice means it is a great time to keep D&I at the forefront of driving one's business forward.

Diversity: Hybridan recognises the benefits of a diverse workforce and management team in terms of decision making. Diversity is promoted through hiring practices and objectives established by the Board.

Risk 3: Negligence Risk

As the firm will be providing advisory services to corporate clients, there is a risk that negligent advice may be given to a client. Additionally, as investors may rely upon the firm to carry out due diligence on investee companies, there is a risk that the due diligence may be negligent. These factors could result in legal action being taken against the firm for negligence (with a substantial monetary impact) and / or reputational damage to the firm (again with loss of business leading to monetary impact). These risks can never be fully mitigated but with strong project management discipline and a "four eyes" policy, (whereby all but the most insignificant matters are discussed, reviewed, and agreed by the Managing Partner and senior members of staff) a high degree of professionalism is assured.

The expertise of the Managing Partner over several decades covers different disciplines such as research, sales and trading, corporate broking, but other senior employees bring corporate broking, sales, trading, management consultancy and accountancy, however the maintenance of appropriate levels of expertise (whether sourced internally or externally) can also go some way to mitigating risks. We believe that our internal systems and controls will reduce the possibility of these risks crystallising.

Hybridan subscribes to a full program of training for the Managing Partner and the team. The firm is also a member firm of the Quoted Companies Alliance (QCA) and the Managing Partner is Deputy Chair of the QCA, to keep a close eye on market changes and regulatory updates.

The Managing Partner and junior members of the team are members of the Chartered Institute for Securities & Investment (CISI) for training and learning purposes.

All members of the team are encouraged to attend Legal and Accounting led market teach ins. Learning, training and building on best practice is a great way of not only motivating staff, but building on their knowledge as a natural hedge to erroneously providing incorrect commercial advice.

Risk 4: Investor Risk

There is a risk that an investor that commits to participate in a fundraising (typically by signing a placing letter) defaults on its contractual obligations to subscribe for the relevant securities. This risk is mitigated by only accepting orders from investors that the Partnership considers to be in good standing and repute in the market and by ensuring that Hybridan's liability to corporate clients to remit the proceeds of a fundraising is limited only to the extent to which investors have remitted cleared funds.

Ongoing continuous regulatory changes are ever present and time consuming. The greatest risk is lack of liquidity for smaller companies in volatile inflationary ridden markets forcing investors to go up the market capitalisation curve away from small and mid-caps.

Risk 5: Corporate Risk

There is a risk that we are misled by corporate clients for which we raise funds. We mitigate this risk by performing our own due diligence on the materials provided by the corporate client (which is subject to our four eyes policy), making third party checks as we consider appropriate and in the case of fundraising for new clients or on IPOs taking personal warranties from the client's directors, as well as always from the company, in a placing agreement prepared by Hybridan's lawyers. It is important that Company communications have relevant disclosures carving out Hybridan's responsibility for the materials and Hybridan indeed provides its corporate client with the relevant disclaimer.

Risk 6: Business Continuity and Disaster Recovery

Hybridan's business activities are not materially dependent on technology and rely more on the expertise and skills of the individuals running the business. The availability of adequate infrastructure is a risk that is always present, but due to the nature of the business activities being undertaken (in terms of volume and processes) alternative arrangements can and have easily been implemented.

The firm uses Microsoft 365 One Drive with two factor step authentication and all employees have laptops with two factor passwords and pin numbers. IT back up and support arrangements are in place and individuals can work both from home efficiently and in an office environment. Both environments are important to any business strategy going forwards. Hybridan is also monitoring cyber risks with new key processes, and with new systems of reporting and data capture in compliance. Hybridan has a daily back up system in the cloud and offsite.

Risk 7: Performance and reputational risks

As with any business, there is performance risk that may also lead to reputational risk. Hybridan is exposed to the reputational risk of lower than expected levels of investment returns that will lead to reduced investor interest and will therefore affect income streams and profitability.

Hybridan is a boutique firm and the Managing Partner has close control over ongoing profitability - if it appears that income streams are reduced, action can be taken very quickly to try to mitigate this risk, although in this inflationary environment, with firms tending to gravitate away from "small is beautiful", this becomes harder.

It is also hard to cut costs beyond a certain point where a question of being sub scale will pervade the business environment. However, if there is a sustained and material impact on the firm's ability to generate sufficient income and doubts as to whether the business remains a going concern, the ultimate reaction would be to wind down in an orderly fashion.

As Hybridan will not have market positions and only books income on a prudent basis, the level of Fixed Overhead Requirement gives the firm three months wind down costs - this is appropriate in the extreme circumstance noted above. Hybridan's Managing Partner keeps a close eye on these wind-up costs and goes through a thorough analysis once a year.

Risk 8: Market risks

Hybridan is exposed to the health of the financial markets and to the AIM market and Aquis exchange, as well as the Standard list of the Main Market, given the Partnership's reliance on raising equity for companies from institutional investors. This risk is mitigated by the firm's membership of the LSE, which enables it to be a Nominated Broker for AIM listed companies, and membership of Aquis as an AQSE Corporate Adviser to Aquis companies and build retainer income on that basis.

As a minimum market capitalisation has now been brought into the Main Market, and the Main Market has undergone regulatory changes creating a Transition Segment for companies with a market capitalisation under £30m, and with AIM experiencing lower levels of business and undergoing a review, the listed landscape is getting harder still to navigate.

Given the firm's simplicity and the diversity of expertise of the Managing Partner and senior staff, a range of mandates can also be secured within the M&A and private company advisory and consultancy areas.

Regulation affects the Partnership's and the Partnership's clients' businesses and there is still a lot of it that everyone has had to get to grips with. Hybridan has taken a market wide view regardless of AIM, the Main market or Aquis in terms of retained clients and fundraising.

Hybridan has in this financial year under review decided not to take on any further UK listed but non UK domiciled business for a number of reasons; namely 1) that these types of businesses do not align with the Managing Partner's wider ambitions to support and grow the UK economy with its input as a small organisation into the SME landscape of companies; and 2) there is an increased risk in acting for non UK domiciled business.

Risk 9: Risk Appetite

Hybridan's risk appetite is low. Hybridan does not take principal positions and manages the risks outlined above to mitigate as much risk as possible.

Internal Capital Adequacy and Risk Assessment (ICARA) process

The Firm's risk appetite is determined by the Board and reviewed at least annually as part of its review and documentation of its Internal Capital Adequacy and Risk Assessment (ICARA) process as required under MIFIDPRU.

The Partners consider the Firm's business to be low risk reflecting the advisory based nature of its services, the absence of any trading or capital risk activities, the contractual nature of its income and the experience of its Partners and senior employees.

Firms authorised by the FCA must always meet the 'overall financial adequacy rule'. This states that a firm must, at all times, hold own funds and liquid assets which are adequate, both in their amount and quality, to make sure the firm is able to remain financially viable throughout the economic cycle, with the ability to address any material potential harm that may result from its ongoing activities. In addition, a firm must ensure that it has adequate own funds and liquid assets such that its business can be wound down in an orderly manner.

The Firm assesses the adequacy of its own funds in accordance with the prescribed permanent minimum capital, fixed overheads, and applicable K-factor requirements and through the ICARA process required by MIFIDPRU.

The ICARA process requires a firm to consider what own funds and liquid assets it might need over and above the prescribed minima to (i) address the material risks and potential harms associated with its ongoing business operations and (ii) facilitate an orderly wind-down of the business.

Under the ICARA process, the Firm's Partners have concluded that its own funds and liquid assets are sufficient to meet these requirements and that no additional own funds or liquid assets are required.

The Firm has opted to make voluntary disclosures relating to risk management with an explanation of its minimum capital, fixed overheads, and applicable K-factor requirements and with respect to remuneration.

In accordance with FCA rules, the firm prepares Management Accounts and reports its' own funds, capital adequacy and liquid assets on a quarterly basis, then reconciles to its' accounting reference date, which is 31st March.

The firm's own funds, capital adequacy and liquid assets at 31st March 2025, is summarised, as follows:

OWN FUNDS:	£'000	£'000
Own funds held		1,501
Own funds requirement, lower of:		
Permanent minimum requirement	75	
Fixed overhead requirement	84	84
Excess of own funds		1,417
Own funds coverage percentage		1,687%

LIQUID ASSETS:	£'000	£'000
Core liquid assets held		1,583
Liquid asset threshold requirement		84
Excess core liquid assets		1,499
Own funds coverage percentage		1,785%

Remuneration

Approach to remuneration

Hybridan's Managing Partner and Board are responsible for developing the remuneration policy to support the delivery of the business strategy, the overall strategy, and the long term interests of all stakeholders, taking into account all relevant legal and regulatory obligations.

Hybridan has ensured that its procedures and practices are appropriate and proportionate to the nature, scale, and complexity of the risks inherent in its business model and activities.

Development of remuneration policies and practices

This **Remuneration Policy** is designed to attract, retain, and incentivise employees properly, and to ensure that they are aligned with the financial and strategic goals of the firm.

Remuneration is based on the following principles:

1. Remuneration decisions will be fair, transparent, and merit based.
2. Remuneration will comply with all relevant legal & regulatory requirements.
3. Remuneration decisions are made based on a combination of long-term sustainability and viability including looking through the business and economic cycles; the impact on Overall Financial Adequacy Rule and Threshold Conditions; and business performance and results against its strategic objectives.
4. Individuals are remunerated based on a combination of factors including individuals performance during the period, level of responsibility and seniority, and contribution to the firms overall strategy.
5. Employee appraisals are conducted on an annual basis and include financial and non-financial areas of assessment.

Components of remuneration

Hybridan's remuneration is made up of the following components:

Fixed remuneration

1. Salary: Fixed remuneration is determined based on the role being performed. Hybridan regularly benchmarks its levels of remuneration with those of other, comparable companies and conducts desk top reviews of remuneration which is subject to business performance and affordability.
2. Pension: The government work-based pension's scheme is working well at Hybridan. Hybridan retains consultants to manage the scheme for itself to reduce the risks associated with getting a date or detail incorrect.

Variable remuneration

1. Hybridan operates a non-discretionary, quarterly paid, fixed performance cash bonus based on deal origination.

Material Risk Takers ("MRT")

Hybridan defines MRTs as individuals that perform senior management functions and any individual whose roles have a material impact on the firms risk profile. At the time of this disclosure, the firm held a total of 1 MRT.

Quantitative disclosure

No severance payments were awarded during the year.