

Company registration number: 7066562

ProSight Speciality (TSMC) Limited

Report and financial statements 31 December 2013

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ProSight Speciality (TSMC) Limited

Company information

Directors

Mr B Mageean
Mr R R Warren

Company Secretary

Argenta Secretariat Limited

Registered Office

Fountain House
130 Fenchurch Street
London EC3M 5DJ

Auditors

Ernst & Young LLP
1 More London Place
London
SE1 2AF

Accountants

Argenta Tax & Corporate Services Limited
Fountain House
130 Fenchurch Street
London EC3M 5DJ

ProSight Speciality (TSMC) Limited

Strategic Report

The Directors submit their Strategic Report for the Company for the year ended 31 December 2013.

Business Review

The Company continues to write insurance business in the Lloyd's insurance market as a Lloyd's corporate capital member. During 2014 Prosight Specialty European Holdings Limited transferred £3.4m cash into Funds at Lloyd's to support the 2014 underwriting demonstrating significant conditions and events and plans for the future.

On 19 February 2014 an agreement was signed with Shelbourne Syndicate Services Ltd, on behalf of Syndicate 2008, to close by reinsurance the 2011 year of account of Syndicate 1110. The values of the claims provisions and related recovery reflect the terms of this agreement.

The financial statements incorporate the annual accounting results of the Syndicates on which the Company participates for the 2011, 2012 and 2013 years of account, as well as any 2010 and prior run-off years. The 2011 year closed at 31 December 2013 with a result of £(906,151) (2010 - £(1,279,666)). The 2012 and 2013 open underwriting accounts will normally close at 31 December 2014 and 2015 respectively.

Results

The results for the year are set out on pages 7 to 8 of the financial statements.

Key Performance Indicators

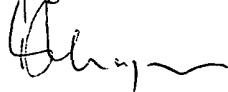
The Directors monitor the performance of the Company by reference to the following key performance indicators:

	2013	2012
Capacity (youngest underwriting year)	£ 9,992,372	£ 7,267,180
Gross premium written as a % of capacity	93.6%	83.4%
Underwriting profit of latest closed year:		
as a % of capacity	-18.8%	-26.6%
Run-off years of account movement	£ -	£ -
Combined ratio	113.7%	122.3%

The combined ratio is the ratio of net claims incurred, commissions and expenses to net premiums earned.

The combined ratio is the ratio of net claims incurred, commissions and expenses to net premiums earned.

Approved by the Board on
and signed on its behalf by



B MAGEEAN

Director

9 September 2014

ProSight Speciality (TSMC) Limited

Report of the Directors

The Directors submit their Report together with the audited financial statements of the Company for the year ended 31 December 2013.

Principal Activities

The principal activity of the Company is that of trading as a Lloyd's corporate capital member. On 4 January 2013 the Company changed its name from TSM Capital Limited to ProSight Speciality (TSMC) Limited. The Company continues to underwrite for the 2014 year of account. Underwriting capacity provided for the 2014 year of account is £14 million. After making enquiries, the directors have a reasonable expectation that the Company has adequate resources due to the support of its parent, Prosight Specialty European Holdings Limited, to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Dividends

Dividends totalling £Nil were paid in the year (2012 - £Nil).

Financial Risk Management Objectives and Policies

The Company is principally exposed to financial risk through its participation on a Lloyd's Syndicate. It has delegated sole management and control of its underwriting through the Syndicate to the managing agent of that Syndicate and it looks to the managing agents to implement appropriate policies, procedures and internal controls to manage the Syndicate's exposures to insurance risk, credit risk, market risk, liquidity risk and operational risk. The Company is also directly exposed to these risks, but they are not considered material for the assessment of the assets, liabilities, financial position and profit or loss of the Company.

Internal management of ProSight Specialty Underwriters Limited attend regular weekly meetings with Argenta (the managing agent) to review and discuss the management of the Syndicate and how the managing agent performs its duty of care on behalf of ProSight Specialty Underwriters Limited.

Directors

The Directors who served at any time during the year were as follows:

Mr J A P Enoizi (Resigned 26 June 2013)
Mr C O'Donnell (Resigned 27 May 2014)
Mr B Mageean (Appointed 19 May 2014)
Mr R R Warren (Appointed 19 May 2014)

ProSight Speciality (TSMC) Limited

Report of the Directors (continued)

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Directors' Report, Strategic Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial period. 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). 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 accounting 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 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.

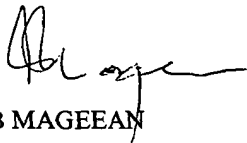
Auditors

Ernst & Young LLP have signified their willingness to act and continue to be appointed as the Company's auditors.

In the case of each of the persons who are Directors at the time this report is approved, the following applies:

- (a) So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- (b) they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Approved by the Board on 9 September 2014
and signed on its behalf by



B MAGEEAN

Director

ProSight Speciality (TSMC) Limited

Independent Auditor's report

Independent auditor's report to the members of ProSight Speciality (TSMC) Limited

We have audited the financial statements of ProSight Speciality (TSMC) Limited for the year ended 31 December 2013 which comprise the Profit and Loss Account, the Balance Sheet, Cash Flow Statement and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of Director and Auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report and Strategic Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2013 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report and Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

ProSight Speciality (TSMC) Limited

Independent Auditor's report (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you 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.

Ernst & Young LLP

Denise Larnder (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory auditor
London

12 September 2014

ProSight Speciality (TSMC) Limited

Profit and loss account

Technical account – general business

For the year ended 31 December 2013

	Note	2013 £	2012 £
Premiums written			
Gross premiums written	2	9,349,762	6,059,818
Outward reinsurance premiums	2	(1,985,868)	(1,079,726)
Net premiums written		7,363,894	4,980,092
Change in the provision for unearned premiums			
Gross provision	2	(1,898,369)	(816,870)
Reinsurers' share	2	381,451	120,972
Earned premiums, net of reinsurance		5,846,976	4,284,194
Allocated investment return transferred from the non-technical account		32,926	31,791
Other technical income, net of reinsurance		-	-
Claims paid			
Gross amount	2	(2,734,037)	(2,059,823)
Reinsurers' share	2	572,101	438,611
Net claims paid		(2,161,936)	(1,621,212)
Change in provision for claims			
Gross amount	2	(1,906,081)	(1,185,955)
Reinsurers' share	2	322,208	(486,583)
Change in net provision for claims		(1,583,873)	(1,672,538)
Claims incurred, net of reinsurance		(3,745,809)	(3,293,750)
Changes in other technical provisions, net of reinsurance		-	-
Net operating expenses	2, 3	(2,901,042)	(1,945,498)
Other technical charges, net of reinsurance		-	-
Amounts (payable)/recoverable under FAL arrangements		(187,305)	97,182
Balance on the technical account for general business		(954,254)	(826,081)

The accounting policies and notes on pages 12 to 23 form part of these Financial Statements.

ProSight Speciality (TSMC) Limited

Profit and loss account

Non - technical account

For the year ended 31 December 2013

	Note	2013 £	2012 £
Balance on technical account for general business		(954,254)	(826,081)
Investment income	4	46,047	32,045
Unrealised gains on investments		-	-
Investment expenses and charges	5	(13,108)	(211)
Unrealised losses on investments		-	-
Allocated investment return transferred to the general business technical account		(32,926)	(31,791)
Other income		-	-
Other charges		(245,293)	(94,128)
Profit/(loss) on ordinary activities before taxation	6	(1,199,534)	(920,166)
Tax on profit/(loss) on ordinary activities	7	(93)	-
Profit/(loss) for the financial year	14	(1,199,627)	(920,166)

The Company has no recognised gains or losses other than the profit or loss for the year.

All amounts relate to continuing operations.

In accordance with the amendment to the Financial Reporting Standard 3 "Reporting Financial Performance", the inclusion of unrealised gains and losses in the profit and loss account to reflect the marking to market of investments in the balance sheet is deemed not to be a material departure from the historical cost basis of accounting. Accordingly, a separate note of historical cost profits and losses is not given.

The accounting policies and notes on pages 12 to 23 form part of these Financial Statements.

ProSight Speciality (TSMC) Limited

Balance sheet

As at 31 December 2013

		31 December 2013			31 December 2012		
	Note	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Assets							
Investments							
Financial investments	9	5,640,724	-	5,640,724	2,825,729	-	2,825,729
Deposits with ceding undertakings		-	-	-	-	-	-
		5,640,724	-	5,640,724	2,825,729	-	2,825,729
Reinsurers' share of technical provisions							
Provision for unearned premiums		738,943	-	738,943	351,744	-	351,744
Claims outstanding		824,282	-	824,282	543,628	-	543,628
Other technical provisions		-	-	-	-	-	-
		1,563,225	-	1,563,225	895,372	-	895,372
Debtors							
Arising out of direct insurance operations		2,103,523	-	2,103,523	1,524,742	-	1,524,742
Arising out of reinsurance operations		310,036	-	310,036	661,034	-	661,034
Other debtors	10	277,561	2,548,668	2,826,229	722,419	2,373,143	3,095,562
		2,691,120	2,548,668	5,239,788	2,908,195	2,373,143	5,281,338
Other assets							
Cash at bank and in hand		213,376	42,241	255,617	511,805	33,795	545,600
Other	12	829,321	-	829,321	727,899	-	727,899
		1,042,697	42,241	1,084,938	1,239,704	33,795	1,273,499
Prepayments and accrued income							
Accrued interest		7,047	-	7,047	5,817	-	5,817
Deferred acquisitions costs		1,446,482	-	1,446,482	770,519	-	770,519
Other prepayments and accrued income		85,733	-	85,733	72,901	-	72,901
		1,539,262	-	1,539,262	849,237	-	849,237
Total assets		12,477,028	2,590,909	15,067,937	8,718,237	2,406,938	11,125,175

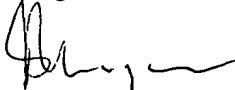
The accounting policies and notes on pages 12 to 23 form part of these Financial Statements.

ProSight Speciality (TSMC) Limited

Balance sheet As at 31 December 2013

		31 December 2013			31 December 2012		
	Note	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Liabilities and shareholders' funds							
Capital and reserves							
Called up share capital	13	-	100	100	-	100	100
Share premium account		-	-	-	-	-	-
Profit and loss account	14	(2,965,776)	414,392	(2,551,384)	(3,267,009)	1,915,252	(1,351,757)
Shareholders' funds – attributable to equity interests							
	15	(2,965,776)	414,492	(2,551,284)	(3,267,009)	1,915,352	(1,351,657)
Technical provisions							
Provision for unearned premiums		5,076,425	-	5,076,425	3,138,315	-	3,138,315
Claims outstanding – gross amount		6,556,408	-	6,556,408	4,835,435	-	4,835,435
Other technical provisions		-	-	-	-	-	-
Provisions for other risks and charges							
Deferred taxation	16	-	-	-	-	-	-
Other		-	-	-	-	-	-
Deposit received from reinsurers							
		-	-	-	-	-	-
Creditors							
Arising out of direct insurance operations		12,774	-	12,774	11,191	-	11,191
Arising out of reinsurance operations		1,024,081	-	1,024,081	1,112,572	-	1,112,572
Amounts owed to credit institutions		-	-	-	42,222	-	42,222
Other creditors including taxation and social security	17	2,632,204	2,141,626	4,773,830	2,665,020	467,786	3,132,806
		15,301,892	2,141,626	17,443,518	11,804,755	467,786	12,272,541
Accruals and deferred income							
		140,912	34,791	175,703	180,491	23,800	204,291
Total liabilities							
		12,477,028	2,590,909	15,067,937	8,718,237	2,406,938	11,125,175

Approved and authorised for issue by the Board of Directors on 9 September 2014
and signed on its behalf by:


B MAGEEAN

Director

Company registration number: 7066562

The accounting policies and notes on pages 12 to 23 form part of these Financial Statements.

ProSight Speciality (TSMC) Limited

Cash flow statement

For the year ended 31 December 2013

	Note	2013 £	2012 £
Operating activities			
Net cash inflow/(outflow) from operating activities	18(a)	8,539	15,474
Returns on investments and servicing of finance		-	-
Capital expenditure			
Purchase of Syndicate capacity		-	-
Proceeds from sale of Syndicate capacity		-	-
Taxation			
Corporation and overseas taxes (paid)/refunded		(93)	-
Equity dividends paid		-	-
Financing			
Issue of shares		-	-
Share issue expenses		-	-
Net cash inflow/(outflow) for the year	18(b)	<u>8,446</u>	<u>15,474</u>
Cash flows were invested as follows:			
Increase/(decrease) in cash holdings		8,446	15,474
Purchase of financial investments		-	-
Sale of financial investments		-	-
Net investment of cash flows	18(b)	<u>8,446</u>	<u>15,474</u>

The Company has no control over the disposition of assets and liabilities at Lloyd's.

Consequently, the cash flow statement is prepared reflecting only the movement in corporate funds, which includes transfers to and from the Syndicate at Lloyd's.

The accounting policies and notes on pages 12 to 23 form part of these Financial Statements.

ProSight Speciality (TSMC) Limited

Notes to the Financial Statements For the year ended 31 December 2013

Basis of preparation of financial statements

Basis of preparation

The financial statements have been prepared in accordance with the provisions of Schedule 3 to SI 2008/410 and with the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers ("the ABI SORP") in December 2005 (as amended in December 2006).

Recognition of insurance transactions

Preparing financial statements in accordance with SI 2008/410 requires the Company to recognise its proportion of all the transactions undertaken by the Lloyd's Syndicate in which it participates ("the Syndicate").

The financial statements are prepared using the annual basis of accounting. Under the annual basis of accounting, a result is determined at the end of each accounting period reflecting the profit and loss from providing insurance coverage during that period and any adjustments to the profit or loss of providing insurance cover during earlier accounting periods.

For each such Syndicate, the Company's proportion of the underwriting transactions, investment return and operating expenses has been reflected within the Company's profit and loss account. Similarly, its proportion of the Syndicate's assets and liabilities has been reflected in its balance sheet (under the column heading "Syndicate").

The Syndicate's assets are held subject to trust deeds for the benefit of the Company's insurance creditors.

The proportion referred to above is calculated by reference to the Company's participation as a percentage of the Syndicate's total capacity.

The Company has delegated sole management and control of its underwriting through each Syndicate to the managing agent of the Syndicate ("the Managing Agent") and it has further undertaken not to interfere with the exercise of such management and control. The Managing Agent of the Syndicate is therefore responsible for determining the insurance transactions to be recognised by the Company. The only exception to this rule is the level of provision for outstanding claims.

Sources of data

The information used to compile the technical account and the "Syndicate" balance sheet is based on returns prepared for this purpose by the Managing Agent of the Syndicate ("the Returns"). These Returns have been subjected to audit by the Syndicate auditors and are based on the audited Syndicate returns to Lloyd's and the audited annual reports to Syndicate members.

The format of the Returns has been established by Lloyd's and Lloyd's has also been responsible for collating the data at a Syndicate level and analysing it into corporate member level results.

ProSight Speciality (TSMC) Limited

Notes to the Financial Statements For the year ended 31 December 2013

1 Accounting policies

i Accounting convention

The financial statements are prepared in accordance with appropriate accounting standards and under the historical cost convention as modified by the revaluation of financial investments.

ii Going concern

As at 31 December 2013 the Company had net liabilities of £2,551,284 (2012: £1,351,657). The directors consider the Company to be a going concern and have prepared the financial statements on that basis. The Company is continuing to underwrite at Lloyd's for the 2014 year of account. The Company has adequate resources due to the support of its parent, Prosight European Holdings Limited, to continue in operational existence for the foreseeable future.

iii Premiums

Premiums written comprise the total premiums receivable for the whole period of cover provided by the contracts incepting during the financial year, together with any adjustments arising in the year to such premiums receivable in respect of business written in prior years. Premiums are shown gross of commission payable to intermediaries and exclude insurance premium tax. Gross premiums written may include "reinsurance to close" premiums receivable (see vii below). Outward reinsurance premiums may include "reinsurance to close" premiums payable (see vii below). Premiums written by a Syndicate may also include the reinsurance of another Syndicate on which the Company participates. No adjustments have been made to gross premiums written or outward reinsurance premiums (or to gross and reinsurers' claims) to remove this inter - Syndicate reinsurance. Unearned premiums represent the proportion of premiums written in the year that relate to the unexpired terms of policies in force at the balance sheet date, calculated on the basis of established earnings patterns or time apportionment as appropriate.

iv Claims incurred

Claims incurred include the costs of claims handling expenses. Recoverable amounts arising out of subrogation or salvage are deducted from the cost of claims. Claims incurred comprise amounts paid or provided in respect of claims occurring during the year to 31 December, together with the amount by which settlement or reassessment of claims from prior years differ from the provision at the beginning of the year.

v Provision for claims outstanding

Claims outstanding comprise amounts set aside for claims notified and claims incurred but not yet reported (IBNR). Provision is made for claims incurred but not paid in respect of events up to 31 December. The provision is based on the Returns and reports from the Managing Agent and the Company's Members' Agent. When appropriate, statistical methods have been applied to past experience of claims frequency and severity.

The provision for claims includes amounts in respect of internal and external claims handling costs.

The two most critical assumptions as regard claims provisions are that the past is a reasonable predictor of the likely level of claims development, and that the rating and other models used for current business are fair reflections of the likely level of ultimate claims to be incurred. The Directors consider the provision for gross claims and related reinsurance recoveries, as based on the Returns to be fairly stated. However, ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided. Adjustments to amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made.

ProSight Speciality (TSMC) Limited

Notes to the Financial Statements For the year ended 31 December 2013

Accounting policies (continued)

vi Unexpired risk provision

A provision for unexpired risk is made by the underlying Syndicate where claims, related expenses and deferred acquisition costs, likely to arise after the end of the financial period in respect of contracts concluded before that date, are expected to exceed the unearned premiums and premiums receivable under these contracts, after the deduction of any acquisition costs deferred.

vii Acquisition costs

Acquisition costs, comprising commission and other internal and external costs related to the acquisition of new insurance contracts are deferred to the extent that they are attributable to premiums unearned at the balance sheet date.

viii Reinsurance to close

A reinsurance to close is a particular type of reinsurance contract entered into by Lloyd's Syndicate. Under it, underwriting members (the reinsured members) who are members of a Syndicate for a year of account (the closed year), agree with underwriting members who comprise that or another Syndicate for a later year of account (the reinsuring members) that the reinsuring members will indemnify, discharge or procure the discharge, of the reinsured members against all known and unknown liabilities of the reinsured members arising out of insurance business undertaken through that Syndicate and allocated to the closed year in consideration of:

- (1) a premium; and
- (2) either

(a) the assignment, or agreement to assign, to the reinsuring members of all the rights of the reinsured members arising out of, or in connection with, that insurance business (including without limitation the right to receive all future premiums, reinsurances and other monies receivable in connection with that insurance business); or

(b) an agreement by the reinsured members that the reinsuring members shall collect on behalf of the reinsured members the proceeds of all such rights and retain them for their own benefit so far as they are not applied in discharges of the liabilities of the reinsured members.

Where the reinsurance to close is between members on successive years of account of the same Syndicate, the Managing Agent has a duty to ensure both sets of members are treated equitably and to set the reinsurance to close with the intention that neither a profit nor a loss accrues to either group of members. To the extent that the Company participates on successive years of account of the same Syndicate and there is a reinsurance to close between those years, the Company has offset its share of the reinsurance to close received against its share of the reinsurance to close paid. On 19 February 2014 an agreement was signed with Shelbourne Syndicate Services Ltd, on behalf of Syndicate 2008, to close by reinsurance the 2011 year of account of Syndicate 1110. The values of the claims provisions and related recovery reflect the terms of this agreement.

If the Company has increased its participation from one year of account to the next, the reinsurance to close paid is eliminated, as a result of this offset, leaving an element of the reinsurance to close received. This reflects the fact that the Company has assumed a greater proportion of the business of the Syndicate. If the Company has reduced its participation from one year of account to the next, the reinsurance to close received is eliminated, leaving an element of the reinsurance to close paid. This reflects the reduction in the Company's exposure to risks previously written by the Syndicate. The reinsurance to close is technically a reinsurance contract and, as such, the payment of a reinsurance to close does not remove from members of that year of account ultimate responsibility for claims payable on risks they have written. If the reinsuring members under the reinsurance to close become insolvent and the other elements of the Lloyd's chain of security also fail, the reinsured members remain theoretically liable for the settlement of any outstanding claims. However, payment of a reinsurance to close is conventionally accepted as terminating a reinsured member's participation on a Syndicate year of account and it is treated for accounts purposes as settling all the Company's outstanding gross liabilities in respect of the business so reinsured.

ProSight Speciality (TSMC) Limited

Notes to the Financial Statements For the year ended 31 December 2013

Accounting policies (continued)

ix Investments

Syndicate: Where investments represent the Company's share of Syndicate investments, they are stated at current value at the balance sheet date. For this purpose, listed investments are stated at market value (bid price) and deposits with credit institutions and overseas deposits are stated at cost. Unlisted investments for which a market exists are stated at the bid price at which they are traded on the balance sheet date or the last trading day before that date.

x Investment return

Investment income comprises interest receivable and dividends received plus realised gains on the disposal of investments. Realised gains and losses arise from the difference between proceeds and valuation at the previous year end, or cost if there has been no previous revaluation. Where investments represent the Company's share of Syndicate investments, they are treated as sold and repurchased at each year end in recognition of the annual venture nature of participation on a Syndicate. The cost of these investments is therefore their market value at each 31 December. The realised gains reported by Syndicate are net of any realised losses. Unrealised investment gains and losses are calculated as the difference between the valuation at the balance sheet date and the valuation at the last balance sheet date or purchase price, if acquired during the year, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period. Investment income is initially recorded in the non-technical account. All investment income arising on Syndicate participations is allocated to the technical account. Other investment income is attributable to the non-technical account.

xi Net operating expenses

Operating expenses are recognised when incurred. They include the Company's share of Syndicate operating expenses, the remuneration payable to Managing Agent (and the Company's Members' Agent) and the direct costs of membership of Lloyd's.

xii Foreign currencies

Transactions in United States dollars, Canadian dollars and Euros are translated at the rates of exchange ruling at the date the transaction is processed or at an appropriate average rate. Unless otherwise stated, transactions in currencies other than United States dollars, Canadian dollars and Euros are translated at the rate of exchange ruling at the date the transaction is processed. Monetary assets and liabilities are retranslated into Sterling at the rate of exchange at the balance sheet date. Non-monetary assets and liabilities at the balance sheet date are maintained at the rate of exchange ruling when the contract was entered into (or an appropriate average rate). Exchange differences arising on translation are dealt with in the profit and loss account.

xiii Taxation

The Company is taxed on its share of the underwriting results declared by the Syndicate and these are deemed to accrue evenly over the calendar year in which they are declared. The Syndicate results included in these financial statements (excluding any losses on open years of account) are only declared for tax purposes in the calendar year following closure of the year of account. HM Revenue & Customs agrees the taxable results of Syndicate at a Syndicate level on the basis of computations submitted by the Managing Agent. At the date of approval of these financial statements, the Syndicate taxable results of this year have not been agreed. Any adjustments that may be necessary to the tax provision as a result of HM Revenue & Customs agreement of Syndicate taxable results will be reflected in the financial statements of subsequent periods.

ProSight Speciality (TSMC) Limited

Notes to the Financial Statements For the year ended 31 December 2013

Accounting policies (continued)

xiv FAL Arrangements

In accordance with Lloyd's requirements the Company is required to deposit funds, known as Funds at Lloyd's ("FAL"), with the Corporation of Lloyd's to support its underwriting activities. The amount of FAL required is determined by Lloyd's through the Economic Capital Assessment ("ECA") based on the perceived level of risk the Company underwrites through its Syndicate participations.

The Company has entered into arrangements with the former owners and third party capital providers to provide some or all of the required FAL to the 2010 and 2011 years of account – these arrangements are referred to as "FAL Arrangements".

In the event that the Company makes a loss through its syndicate participations on either the 2010 or 2011 years of account, the FAL providers are required to meet their share of the loss in line with terms of the FAL Arrangements. In the event that the Company makes a profit through its syndicate participations on either the 2010 or 2011 years of account, the FAL provider may be entitled to receive a share of the profit in line with the terms of the FAL Arrangements.

At the end of each calendar year an assessment is made of any amounts payable to or receivable from the FAL providers based on the performance of the Company's syndicate participations and the terms of the FAL Arrangements. Movements in these balances are recorded through the technical account as "Amounts recoverable / payable under FAL Arrangements".

ProSight Speciality (TSMC) Limited

Notes to the Financial Statements For the year ended 31 December 2013

2. Class of Business

2013	Gross Premiums Written £	Gross Premiums Earned £	Gross Claims Incurred £	Net Operating Expenses £	Reinsurance Balance £	Total £
Direct Insurance						
Accident and health	-	-	-	-	-	-
Motor – third party liability	-	-	-	-	-	-
Motor – other classes	-	-	-	-	-	-
Marine, aviation and transport	50,651	60,504	(73,158)	(35,445)	(16,328)	(64,427)
Fire and other damage to property	1,223,804	1,461,028	(1,142,008)	(554,924)	161,160	(74,744)
Third party liability	5,274,359	3,240,506	(1,858,706)	(1,164,108)	(355,435)	(137,743)
Credit and suretyship	376,425	178,691	(119,017)	(94,540)	(30,170)	(65,036)
Legal expenses	-	-	-	-	-	-
Assistance	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
	6,925,239	4,940,729	(3,192,889)	(1,849,017)	(240,773)	(341,950)
Reinsurance	2,424,523	2,510,664	(1,447,229)	(1,052,025)	(469,335)	(457,925)
Total	9,349,762	7,451,393	(4,640,118)	(2,901,042)	(710,108)	(799,875)

2012	Gross Premiums Written £	Gross Premiums Earned £	Gross Claims Incurred £	Net Operating Expenses £	Reinsurance Balance £	Total £
Direct Insurance						
Accident and health	-	-	-	-	-	-
Motor – third party liability	-	-	-	-	-	-
Motor – other classes	-	-	-	-	-	-
Marine, aviation and transport	57,054	23,059	(40,602)	(10,442)	(4,583)	(32,568)
Fire and other damage to property	1,425,218	1,399,782	(1,709,695)	(509,174)	(26,513)	(845,600)
Third party liability	690,200	627,046	(365,340)	(213,463)	(97,187)	(48,944)
Credit and suretyship	5,784	1,133	(798)	(513)	(23)	(201)
Legal expenses	-	-	-	-	-	-
Assistance	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
	2,178,256	2,051,020	(2,116,435)	(733,592)	(128,306)	(927,313)
Reinsurance	3,881,562	3,191,928	(1,129,343)	(1,211,906)	(878,420)	(27,741)
Total	6,059,818	5,242,948	(3,245,778)	(1,945,498)	(1,006,726)	(955,054)

All insurance business is underwritten in the UK in the Lloyd's insurance market, which has been treated as one geographical segment for the purpose of SSAP25: Segmental Reporting.

ProSight Speciality (TSMC) Limited

Notes to the Financial Statements For the year ended 31 December 2013

3. Net Operating Expenses

	2013	2012
	£	£
Acquisition costs	2,886,794	1,461,844
Change in deferred acquisition costs	(667,384)	(206,397)
Administrative expenses	537,149	531,131
Reinsurance commissions and profit participations	-	-
Personal expenses	144,483	158,920
	<u>2,901,042</u>	<u>1,945,498</u>

4. Investment Income

	2013	2012
	£	£
Income from investments	46,034	31,929
Gains on the realisation of investments	-	73
Bank deposit interest	13	43
	<u>46,047</u>	<u>32,045</u>

5. Investment Expenses and Charges

	2013	2012
	£	£
Investment management expenses, including interest	21	14
Losses on the realisation of investments	13,087	197
	<u>13,108</u>	<u>211</u>

6. Profit/(loss) on Ordinary Activities before Taxation

	2013	2012
	£	£
Operating profit/(loss) is stated after charging:		
Directors' remuneration	-	-
Auditors' remuneration in respect of audit services	8,900	8,400
Loss on exchange	211,491	67,785

The remuneration of Directors is included in the financial statements of Prosight Underwriters Specialty Limited. The Directors consider the costs of their services to the Company to be immaterial and accordingly no remuneration has been apportioned to the Company.

The Company has no employees and no staff costs are met by the Company.

ProSight Speciality (TSMC) Limited

Notes to the Financial Statements For the year ended 31 December 2013

7. Taxation

	2013 £	2012 £
Analysis of charge in year		
Current tax:		
UK corporation tax on profit/(loss) of the year	-	-
Adjustment in respect of previous period	-	-
	-	-
Foreign tax	93	-
Total current tax	93	-
Deferred tax		
Origination and reversal of timing differences	-	-
	93	-

Factors affecting tax charge for period

The tax assessed for the period is different to the standard rate of corporation tax in the UK of 23.25% (2012 - 24.50%). The differences are explained below:

Profit/(loss) on ordinary activities before tax	(1,199,534)	(920,166)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.25% (2012 – 24.50%)	(278,892)	(225,441)
Effects of:		
Underwriting results subject to timing differences for taxation	277,432	218,997
Creation/(utilisation) of tax losses	1,460	6,444
Foreign tax	93	-
Expenses not deductible for tax purposes	-	-
Other corporation computation adjustments	-	-
Marginal rates of taxation and prior period adjustment	-	-
Current tax charge for the period	93	-

The results of the Company's participation on the 2011, 2012 and 2013 years of account and any calendar year movement on 2010 and prior run-offs, will not be assessed to tax until the year ended 31 December 2014, 2015 and 2016 respectively being the year after the normal date of closure of each year of account.

8. Dividends

	2013 £	2012 £
Amounts recognised as distributions to equity holders in the period:		
Interim dividends paid	-	-

ProSight Speciality (TSMC) Limited

Notes to the Financial Statements For the year ended 31 December 2013

9. Financial Investments

Other financial investments – Syndicate

	2013 Market Value £	2013 Cost £	2012 Market Value £	2012 Cost £
Shares and other variable yield securities and units in unit trusts	4,967,415	4,967,415	2,547,080	2,547,080
Deposits with credit institutions	-	-	-	-
Other	673,309	673,309	278,649	278,649
	<u>5,640,724</u>	<u>5,640,724</u>	<u>2,825,729</u>	<u>2,825,729</u>
Listed investments included in the market value above				
Shares and other variable yield securities and units in unit trusts	4,967,415		2,547,080	
	<u>4,967,415</u>		<u>2,547,080</u>	

10. Other Debtors

	2013			2012		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Amounts due from group undertakings	-	-	-	-	-	-
Other	277,561	2,548,668	2,826,229	722,419	2,373,143	3,095,562
	<u>277,561</u>	<u>2,548,668</u>	<u>2,826,229</u>	<u>722,419</u>	<u>2,373,143</u>	<u>3,095,562</u>

The £2,548,668 relates to cash calls on the 2011, 2012 and 2013 underwriting accounts and £997 is in respect of the open year liabilities due from Nerine Trustees as stated in accounting policy xiv on page 16.

11. Funds at Lloyd's

The Company's underwriting is supported by a Letter of Credit of £6,180,736 and assets made available to it by third party capital providers. These assets are in the form of investments totalling £1,784,305 and cash totalling £3,316,641. These amounts are not included within the Balance Sheet of the Company.

ProSight Speciality (TSMC) Limited
Notes to the Financial Statements
For the year ended 31 December 2013

12. Other Assets - other

	2013			2012		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Amounts advanced in overseas countries as a condition of carrying on business there	829,321	-	829,321	727,899	-	727,899

13. Called-up Share Capital

	2013 Authorised	2013 Allotted, called-up and fully paid	2012 Authorised	2012 Allotted, called-up and fully paid
Ordinary £1 shares	Unlimited	100	Unlimited	100

14. Profit and Loss Account

	2013			2012		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Retained loss brought forward	(3,267,009)	1,915,252	(1,351,757)	(2,275,961)	1,844,370	(431,591)
Reallocate distribution	1,279,666	(1,279,666)	-	-	-	-
Profit/(loss) for the financial year	(978,433)	(221,194)	(1,199,627)	(991,048)	70,882	(920,166)
Equity dividends	-	-	-	-	-	-
Retained loss carried forward	(2,965,776)	414,392	(2,551,384)	(3,267,009)	1,915,252	(1,351,757)

The Reallocate Distribution of £1,279,666 above is the movement of the 2010 year of account result from Syndicate Participation into Corporate Member as part of the Lloyd's distribution process.

15. Reconciliation of Movements in Shareholders' Funds

	2013 £	2012 £
Opening shareholders' funds	(1,351,657)	(431,491)
Profit/(loss) for the financial year	(1,199,627)	(920,166)
Equity dividends	-	-
Closing shareholders' funds	(2,551,284)	(1,351,657)

ProSight Speciality (TSMC) Limited

Notes to the Financial Statements For the year ended 31 December 2013

16. Provision for Other Risks and Charges

Deferred Taxation

	2013 £	2012 £
Opening balance	-	-
Profit and loss account charge	-	-
Closing balance	-	-

The company has an unrecognised deferred tax asset of £507,971 (2012 - £310,904) in respect of underwriting losses on years not yet brought into tax, and £Nil (2012 - £31,904) in respect of unused company tax losses carried forward. The company also has an unrecognised deferred tax asset of £20,436 (2012 - £Nil) in respect of double taxation relief available to offset against future UK tax payable.

A reduction in the UK corporation tax rate from 23% to 21% was substantively enacted in July 2013 and is effective from 1 April 2014.

A further reduction from 21% to 20% was also substantially enacted in July 2013 and will be effective from 1 April 2015. The effect of these reductions are reflected in the unprovided deferred tax asset.

17. Other Creditors including Taxation and Social Security

	2013			2012		
	Syndicate Participation £	Corporate £	Total £	Syndicate Participation £	Corporate £	Total £
Corporation tax	-	-	-	-	-	-
Directors' loan accounts	-	-	-	-	-	-
Third party funds	-	-	-	-	-	-
Other creditors	2,632,204	84,503	2,716,707	2,665,020	45,780	2,710,800
Amount due to group undertakings	-	2,057,123	2,057,123	-	422,006	422,006
	2,632,204	2,141,626	4,773,830	2,665,020	467,786	3,132,806

Of the £84,503 above, £67,926 relates to Inter Company loans, £1,610 is the balance on Lloyd's Distribution account and £14,967 is in respect of a difference on accounting of the 2011 result as provided to Lloyd's.

ProSight Speciality (TSMC) Limited

Notes to the Financial Statements For the year ended 31 December 2013

18. (a) Reconciliation of Operating Profit/(Loss) to Net Cash Inflow/(Outflow) from Operating Activities

	2013	2012
	£	£
Profit/(loss) on ordinary activities before tax	(1,199,534)	(920,166)
Loss attributable to Syndicate transactions	(301,233)	991,048
Profit/(loss) – excluding Syndicate transactions	(1,500,767)	70,882
(Increase)/decrease in debtors	(175,525)	(97,182)
Increase/(decrease) in creditors	1,684,831	41,774
Realised/unrealised (gains)/losses on investments	-	-
Net cash inflow/(outflow) from operating activities	8,539	15,474

(b) Movement in Cash, Portfolio Investments and Financing

	At 1 January 2013	Cashflow	Changes to Market Value	At 31 December 2013
	£	£	£	£
Cash	33,795	8,446	-	42,241
Other financial investments	-	-	-	-
	33,795	8,446	-	42,241

19. Related Party Disclosures

The Company has taken advantage of the exemption in Financial Reporting Standard 8 - Related Party Disclosures available to subsidiaries which are 100% controlled by Prosight Global Holdings Limited ("the group") not to disclose transactions with other group companies and investees of the group qualifying as related parties.

20. Ultimate Controlling Party

The Company's immediate parent is ProSight Specialty European Holdings Limited, a company incorporated in Bermuda.

The Company's ultimate parent is ProSight Global Holdings Limited, a Company incorporated in Bermuda.

Financial Statements for the parent Company can be obtained from Registered Addresses:-

ProSight Specialty European Holdings Limited
Clarendon House,
2 Church Street,
Hamilton,
HM11,
Bermuda.

ProSight Global Holdings Limited
Clarendon House,
2 Church Street,
Hamilton,
HM11,
Bermuda.