

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

If you are in any doubt as to what action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank, solicitor, accountant, fund manager or other appropriate independent financial adviser, who is authorised under the Financial Services and Markets Act 2000 if you are in the UK, or, if not, from another appropriately authorised independent financial adviser.

If you sell or transfer or have sold or transferred all of your Ordinary Shares, please forward this document, but not the personalised Form of Proxy enclosed with it, as soon as possible to the purchaser or transferee or to the bank, stockbroker, or other agent through or to whom the sale or transfer was effected for onward transmission to the purchaser or transferee. If you sell or have sold or otherwise transferred only part of your holding of Ordinary Shares, you should retain this document. If you receive this document from another shareholder, as transferee, please contact the Company's Registrar for a Form of Proxy.

Any person (including, without limitations, custodians, nominees and trustees) who may have a contractual or legal obligation or may otherwise intend to forward this document to any jurisdiction outside the UK should seek appropriate advice before taking any action. The distribution of this document and any accompanying documents into jurisdictions other than the UK may be restricted by law. Any person not in the UK into whose possession this document and any accompanying documents come should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.



**Taylor Wimpey plc**

(Incorporated in England and Wales under the Companies Acts 1929 and 1985 with registered number 00296805)

**Proposed Disposal of Taylor Wimpey's North American Business**

**Circular to Ordinary Shareholders**

and

**Notice of General Meeting**

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Your attention is drawn to the letter to Ordinary Shareholders from Kevin Beeston, the Chairman of Taylor Wimpey plc, which is set out in Part I (Letter from the Chairman) of this document in which the Board unanimously recommends that you vote in favour of the resolution to be proposed at the General Meeting of the Company. Please read the whole of this document and, in particular, the risk factors contained in Part II (Risk Factors) of this document and consider whether to vote in favour of the Disposal Resolution in light of that information.

A notice convening a General Meeting of the Company to be held at 10 a.m. on 18 April 2011 at the offices of J.P. Morgan Cazenove, 20 Moorgate, London EC2R 6DA is set out at the end of this document. A Form of Proxy for use at the General Meeting is enclosed with this document. Whether or not you intend to attend the General Meeting in person, please complete, sign and return the enclosed Form of Proxy in accordance with the instructions printed on it so as to be received by the Company's Registrars as soon as possible and in any event no later than 10 a.m. on 16 April 2011 being 48 hours before the time appointed for the holding of the General Meeting. Forms of Proxy received after this time will be invalid. If you hold your Ordinary Shares in uncertificated form (i.e. in CREST), you may utilise the CREST electronic proxy appointment service in accordance with the procedures set out in the Notice of General Meeting the end of this document.

**Completion and return of a Form of Proxy or completing and transmitting a CREST Proxy Instruction will not preclude you from attending and voting in person at the General Meeting, should you so wish.**

No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied on as having been so authorised. The delivery of this document shall not, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this document or that the information in it is correct as of any subsequent time.

J.P. Morgan Cazenove, which is authorised and regulated in the United Kingdom by the FSA, is acting for Taylor Wimpey plc and for no-one else in connection with the Disposal and will not be responsible to any person other than Taylor Wimpey plc for providing the protections afforded to clients of J.P. Morgan Cazenove or for providing advice in relation to the matters described in this Circular.

Capitalised terms have the meanings ascribed to them in Part IX (Definitions) of this document.

All Ordinary Shareholders on the Ordinary Share Register at the close of business on 31 March 2011 have been sent this document.

1 April 2011

## CORPORATE DETAILS AND ADVISERS

<b>Secretary and Registered Office</b>	James Jordan Gate House Turnpike Road High Wycombe Buckinghamshire HP12 3NR
<b>Sponsor</b>	J.P. Morgan plc (which conducts its UK investment banking activities as J.P. Morgan Cazenove) 125 London Wall London EC2Y 5AJ
<b>Legal adviser</b>	Slaughter and May One Bunhill Row London EC1Y 8YY
<b>Auditor and Reporting accountant</b>	Deloitte LLP 2 New Street Square London EC4A 3BZ
<b>Financial public relations adviser</b>	Finsbury Limited Tenter House 45 Moorfields London EC2Y 9AE
<b>Company's Registrar</b>	Capita Registrars Limited The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

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## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

	<u>2011</u>
Announcement of the Disposal	31 March
Latest time and date for receipt of Forms of Proxy for the General Meeting	10 a.m. on 16 April
General Meeting	10 a.m. on 18 April
Expected date of Completion	31 May

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**Notes:**

Future dates are indicative only and are subject to change by the Company, in which event details of the new times and dates will be notified to the FSA and, where appropriate, to Ordinary Shareholders.

References to times in this document are to London time.

## PART I

### LETTER FROM THE CHAIRMAN OF TAYLOR WIMPEY PLC

#### Taylor Wimpey plc

(Incorporated in England and Wales under the Companies Acts 1929 and 1985 with registered number 00296805)

**Registered Office**  
Gate House  
Turnpike Road  
High Wycombe  
Buckinghamshire  
HP12 3NR

#### **Directors:**

Kevin Beeston	(Chairman)
Peter Redfern	(Group Chief Executive)
Ryan Mangold	(Group Finance Director)
Sheryl Palmer	(President and Chief Executive Officer of North America)
Baroness Dean of Thornton-le-Fylde	(Independent Non-Executive Director)
Andrew Dougal	(Independent Non-Executive Director)
Katherine Innes Ker	(Independent Non-Executive Director)
Anthony Reading MBE	(Independent Non-Executive Director)
Robert Rowley	(Independent Non-Executive Director)

1 April 2011

*To the holders of Ordinary Shares and to participants in the Taylor Wimpey share incentive plan, Taylor Wimpey employee stock purchase plan and Taylor Wimpey Canadian employee stock purchase plan.*

Dear shareholder,

#### **Proposed Disposal of Taylor Wimpey's North American Business (Taylor Woodrow Holdings (USA), Inc. and Taylor Wimpey Holdings of Canada, Corporation)**

##### **1. Introduction and summary of proposed disposal**

On 31 March 2011, the Company announced that it has agreed to sell the entire issued share capital of Taylor Woodrow Holdings (USA), Inc. ("**Taylor Wimpey (US)**") and Taylor Wimpey Holdings of Canada, Corporation ("**Taylor Wimpey (Canada)**") to TMM Holdings Limited Partnership (a partnership controlled by certain investment funds affiliated with TPG Capital, certain investment funds affiliated with Oaktree Capital Management L.P. as well as JH Investments Inc.) and its subsidiaries (2279154 Ontario Inc. and Aylesbury Acquisition, Inc.), for a base consideration of USD 955 million (£595 million at the current exchange rate) (pre transaction expenses) payable on Completion. Please see Part IX (Definitions) of this document for further detail on the exchange rate used.

The Company will also receive additional proceeds for cash balances in Taylor Wimpey's North American Business as at 31 December 2010 and net capital invested by the Company in the North American Business from 1 January 2011 to Completion. A portion of the consideration (up to USD 303,654,200) may also be placed in escrow subject to receipt of certain certificates from US and Canadian tax authorities indicating no withholding is required. In addition, the Buyers have agreed to set off the amount of CAD 502,526,027, plus any unpaid interest, from the consideration payable for Taylor Wimpey (Canada) in return for one of the Buyers assuming, upon Completion, the obligations of the Company under various CAD loan agreements and notes. This settlement of the CAD loan agreements and notes has no impact on the base consideration. The principal terms of the agreement, including details of the consideration adjustments, are set out in Part VII (Principal Terms of the Disposal Agreement) of this document.

The Disposal is a significant step towards completing the Group's strategic objective of focusing on its core UK housing business, creating a stronger financial base for future investment. The Board believes that the consideration for the Disposal fairly reflects the prospects of Taylor Wimpey's North

American Business. In what has been an extremely challenging period for the industry, the Company has greatly benefited from the commitment of its highly skilled management team and employees in North America, who together have been instrumental in creating a stronger North American Business. I have been hugely impressed by our North American employees and would like to take this opportunity to thank them for their hard work, loyalty and commitment, particularly over the past few years and in connection with the Disposal.

The Disposal is of sufficient size relative to the size of the Company to constitute a Class 1 transaction under the Listing Rules and is, therefore, conditional upon the approval of Ordinary Shareholders. Completion is also conditional upon the satisfaction or waiver of the other conditions described in section 2 of Part VII (Principal Terms of the Disposal Agreement) of this document.

Your approval of the Disposal is being sought at a General Meeting of the Company to be held at 10 a.m. on 18 April 2011 at the offices of J.P. Morgan Cazenove, 20 Moorgate, London EC2R 6DA. A notice of the General Meeting and of the Disposal Resolution to be considered at the meeting is set out at the end of this document. A summary of the action you should take is set out in section 10 of this letter and on the Form of Proxy that accompanies this document. If the Disposal Resolution is passed at the General Meeting on 18 April 2011, Completion is expected to take place on 31 May 2011.

The purpose of this document is to provide you with information on the Disposal, to explain the background to and reasons for the Disposal and why the Board believes the Disposal is in the best interests of the Company's shareholders taken as a whole and to recommend that you vote in favour of the Disposal Resolution.

Ordinary Shareholders should read the whole of this document and not just rely on the summarised information set out in this letter.

You will find definitions for capitalised terms used in this letter and the rest of this document in Part IX (Definitions) of this document.

## **2. Background to the Company**

The Company is a UK and North American homebuilder with smaller operations in Spain. It is the second largest homebuilder in the UK, and the ninth largest homebuilder in the US (by completions and revenue, respectively). In North America, its main markets are Arizona (US), California (US), Florida (US), Texas (US), and Ontario (Canada).

The Company acquires and develops land for a variety of uses. It also designs and constructs residential property developments. As a result, its product range spans from affordable entry-level homes to high-rise apartments, full-service country club homes and luxury homes. It builds property through the use of contractors and subcontractors, and sells through agents and its own staff. The Company employs approximately 4,300 people in total in the UK, North America and Spain.

The Company earns the majority of its revenue through the sale of residential properties in its chosen markets. It optimises this revenue by carefully selecting the land bought, with the aim of matching homes to market demand and with the aim of designing communities that people want to live in. Revenues from homebuilding activities are determined by sales volumes and realised selling prices. The Company also sells land, which is surplus to its own requirements, to property developers and other homebuilders.

## **3. Information on Taylor Wimpey's North American Business**

The Company has had a longstanding presence in North America, dating back more than 70 years through predecessor companies. It has operations in both the US, where it operates under the Taylor Morrison brand and in Ontario, Canada, where it operates as Monarch Homes. Taylor Wimpey's North American Business has its headquarters in Scottsdale, Arizona and is the ninth largest homebuilder in the US by revenue. As at 31 December 2010, it owned or controlled an equivalent of 7.3 years of land supply at current completion rates (extracted without material adjustment from the Company's audited accounts for the financial year ended 31 December 2010).

The Company's main markets in the US are in Arizona, California, Florida and Texas. The Company operates in nine of the thirty largest housing markets in the US by number of permits. During 2010, the Company completed 2,570 homes in the US, at an average selling price of USD 274,000 (extracted without material adjustment from the Company's audited accounts for the financial year ended 31 December 2010). Average selling prices vary by geography, with the highest in

California and the lowest in Arizona. As at 31 December 2010, the Company owned or controlled 22,740 plots of land in the US (extracted without material adjustment from the Company's audited accounts for the financial year ended 31 December 2010).

In Canada, the Company's main markets are the Greater Toronto Area, Ottawa and Kitchener-Waterloo, which are the top three housing markets in Ontario by value of permits. As well as low-rise housing, the Company has a high-rise operation which is focused exclusively on the Greater Toronto Area. During 2010, the Company completed 1,570 homes in Canada at an average selling price of CAD 374,000 (extracted without material adjustment from the Company's audited accounts for the financial year ended 31 December 2010). As at 31 December 2010, the Company owned or controlled 7,522 plots of land in Canada (extracted without material adjustment from the Company's audited accounts for the financial year ended 31 December 2010).

A summary of the trading results for Taylor Wimpey's North American Business for the three years ended 31 December 2010 (on an IFRS basis) is set out below.

£'m	For and as at 31 December 2010	For and as at 31 December 2009	For and as at 31 December 2008
Revenue	835.6	824.3	981.6
Operating Profit	93.8	48.1	59.9
Net Operating Assets	612.7	558.1	677.8

At 31 December 2010, Taylor Wimpey's North American Business had net assets of £699.5 million and gross assets of £1.02 billion.

Unless otherwise stated, the financial information in this section 3 has been extracted without material adjustment from the financial information contained in Part IV (Financial information of Taylor Wimpey's North American Business) of this document.

Please refer to Part IV (Financial information of Taylor Wimpey's North American Business) of this document for further information.

#### **4. Background to and reasons for the Disposal**

The US housing market experienced a significant downturn beginning in 2005, experiencing the most substantial declines in prices and sales volumes during 2007 to 2009. The Case-Shiller Composite 20 index, which gauges US house prices by sampling twenty metropolitan statistical areas, declined from a peak of 204 in February 2007 to a trough of 141 in May 2009, for example. Simultaneously, foreclosure rates rose to record highs and vacancy rates also rose substantially (from 13.0 per cent. in 2006 to 14.5 per cent. in 2009) (US Census Bureau).

Similarly, the UK market also experienced a downturn. This downturn began in late 2007 leading to around a 20 per cent. reduction in house prices, peak to trough, in February 2009 (the Nationwide housing index declined from £186,044 in October 2007 to £147,746 in February 2009). House prices have since recovered, with the Nationwide housing index having risen to £161,183 in February 2011, although mortgage availability remains constrained.

Following the significant downturn in the UK and US, the Group focused on maximising cash from its portfolio and reducing its indebtedness position. This process included refinancing the Group's facilities in April 2009, conducting a placing and open offer of the Company's shares in May 2009 and most recently, a general refinancing of facilities and Notes issuance concluded in December 2010.

Increasingly, the Board has come to the view that, in the longer term, the focus of the Group should be only in the UK and that focusing the Group's efforts on local markets is the best route to create long-term value. This decision also reflects the Board's view of the relative attractiveness of the UK housing market, which is driven by: the structural undersupply of new housing in the UK; the constrained supply of land within the UK; and the low stock levels within the UK housebuilding industry. Historically, the combined UK business and North American Business have not had a material overlap nor shared significant synergies. The Board believes that historically the UK equity markets have not fully reflected the value and contribution of Taylor Wimpey's North American Business.

The Board also believes that the current climate presents an opportune time to realise the value of Taylor Wimpey's North American Business based on current market conditions, forecast growth in

the North American market and the investment in the business required to achieve this. The Company has spent many months assessing the best method of sale and the best time to maximise the value of Taylor Wimpey's North American Business. Both a public listing and an outright sale have been explored, with the latter being pursued via an extensive auction process. The Board believes that this competitive auction process has achieved an attractive valuation for Taylor Wimpey's North American Business, which fairly reflects market conditions and its future growth potential as a standalone entity. The base consideration of £595 million represents a premium of 3.4 per cent. to adjusted net assets of USD 923 million (as at 31 December 2010). This represents £699.5 million of net assets less cash of £111.9 million, converted to USD as at the 31 December 2010 exchange rate of USD:GBP of 1.57.

## **5. Use of Proceeds and Financial Effects of the Disposal on the Group**

At Completion, the net cash proceeds arising from the Disposal are expected to be approximately USD 923 million (£575 million at the current exchange rate), after estimated transaction costs of approximately £20 million. Please see Part IX (Definitions) of this document for further detail on the exchange rate used.

It is intended that the net cash proceeds of the Disposal will be applied to reduce the Group's borrowings, resulting in an overall increase in its financial flexibility. The net cash proceeds will strengthen the Group's financial position and capacity to invest in its UK homebuilding business, enabling it to benefit from future opportunities, especially in the land market. In addition, it has also been agreed with the Group's pension fund trustees that £32.5 million of the proceeds of the Disposal will be paid into the Group's pension funds.

As a result of the Disposal, the Company will retire "Facility A" of its £950 million syndicated revolving credit facility (under which £350 million was available for drawing). The reduction in net borrowings will result in a reduction in the margin of 50 basis points on the syndicated revolving credit facility due to lower gearing. The margin on its £100 million Fund Facility will also reduce by 50 basis points.

Although the net cash proceeds arising from the Disposal will strengthen the Group's financial position and reduce borrowings, the Disposal is expected to be earnings dilutive initially.

The estimated transaction costs have been extracted from the unaudited pro forma statement of net assets for the Group set out in Part V (Unaudited Pro Forma Statement of Net Assets) of this document.

## **6. Group Strategy**

Following the Disposal, the Group will continue to focus on maximising the value achieved from each home completion. We view our landbank as an investment portfolio that we manage actively. We aim to add value to this portfolio through our consistent, disciplined approach to land acquisition, through optimising the planning consents on our existing holdings and designing places to live that meet the local demand. We look to deliver this value through safe, efficient and considerate development of these communities and helping our customers to buy and move into their new homes.

## **7. Current Trading and Future Prospects of the Group**

On 3 March 2011, we updated the market on the Group's current trading in our full year results announcement. The Group has seen a continuation of these trends over recent weeks and whilst current economic circumstances create some continued uncertainty, we expect these trends to continue in 2011.

In the UK, we have been encouraged by the enhanced sales rates, sales prices and margins that we are achieving on recent outlet openings, whether from new acquisitions or from the existing land portfolio. We remain on track to achieve our target of double-digit operating margins in 2012, subject to continuing stable market conditions.

In the US, markets appear to have stabilised and there are signs of increasing consumer confidence. Affordability remains at excellent levels and, this combined with gradually reducing foreclosure levels, provides the potential for a strong recovery as confidence grows.

We expect market conditions in Canada to remain robust for the foreseeable future.

## **8. Risk Factors**

For a discussion of the risks and uncertainties which you should take into account when considering whether to vote in favour of the Disposal Resolution, please refer to Part II (Risk Factors) of this document.

## **9. General Meeting**

A notice convening the General Meeting to be held at 10 a.m. on 18 April 2011 at the offices of J.P. Morgan Cazenove, 20 Moorgate, London EC2R 6DA is set out at the end of this document. A Form of Proxy to be used in connection with the General Meeting is enclosed.

As a Class 1 transaction owing to the size of the Disposal relative to the size of the Company, the Company requires the approval of Ordinary Shareholders to proceed with the Disposal. The Completion of the Disposal is therefore conditional, amongst other conditions set out in section 2 of Part VII (Principal Terms of the Disposal Agreement) of this document, on the passing of the Disposal Resolution at the General Meeting of the Company. The full text of the Disposal Resolution, which is to be proposed as an ordinary resolution at the General Meeting, is set out in the Notice of General Meeting at the end of this document.

The passing of the Disposal Resolution requires a majority of the votes cast in respect of the Disposal Resolution to be in favour of the resolution.

Voting on the Disposal Resolution will be conducted by way of a poll, rather than on a show of hands, as the Board believes that a poll gives as many shareholders as possible the opportunity to have their votes counted (whether their votes are tendered by proxy in advance, or in person) at the General Meeting. A poll was used at the 2010 annual general meeting and is intended to be used at future shareholder meetings of the Company.

## **10. Action to be taken**

**You will find enclosed with this document a Form of Proxy for use in connection with the General Meeting or any adjournment thereof.**

**It is important to us that our Ordinary Shareholders have the opportunity to vote, even if they are unable to come to the General Meeting. If you are unable to come to the General Meeting, you can use the enclosed Form of Proxy to nominate someone else to come to the meeting and vote for you (this person is called a proxy).**

**To appoint a proxy, you need to send back the Form of Proxy. As an alternative to returning the Form of Proxy, you can appoint a proxy electronically. Details of the procedure are set out in the notes to the Form of Proxy and the Notes to the Notice of General Meeting at the end of this document.**

You are requested to complete and sign the Form of Proxy whether or not you propose to attend the General Meeting in person in accordance with the instructions printed on it and return it as soon as possible, but in any event so as to be received by no later than 10 a.m. on 16 April 2011, by Capita Registrars, the Company's Registrar, at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

If you hold your Ordinary Shares in uncertificated form (i.e., in CREST) you may appoint a proxy by completing and transmitting a CREST Proxy Instruction in accordance with the procedures set out in the CREST Manual so that it is received by the Company's Registrar (under CREST participant ID, RA10), in each case by no later than 10 a.m. on 16 April 2011.

Unless the Form of Proxy or CREST Proxy Instruction is received by the relevant date and time specified above, it will be invalid.

Completion and posting of the Form of Proxy or completing and transmission a CREST Proxy Instruction will not preclude you from attending and voting in person at the General Meeting if you wish to do so.

## **11. Further information**

Your attention is drawn to the further information set out in Part II (Risk Factors) to Part VIII (Additional Information) of this document. You should read the whole of this document and, in particular, the risks and uncertainties set out in Part II (Risk Factors).

## 12. Recommendation

The Board, which has received financial advice from J.P. Morgan Cazenove, considers the terms of the Disposal to be fair and reasonable. In giving its financial advice to the Board, J.P. Morgan Cazenove has taken into account the Board's commercial assessment of the Disposal.

The Board considers that the Disposal is in the best interests of the shareholders of the Company taken as a whole and unanimously recommends that Ordinary Shareholders vote in favour of the Disposal Resolution to be proposed at the General Meeting, as the Directors intend to do in respect of their own beneficial holdings, which amount in aggregate to 2,498,793 Ordinary Shares and represent approximately 0.08 per cent. of the Company's issued share capital as at 31 March 2011 (the latest practicable date prior to publication of this document).

Yours faithfully



Kevin Beeston  
Chairman

## PART II

### RISK FACTORS

*Ordinary Shareholders should carefully consider the risks and uncertainties set out in this Part II (Risk Factors) of this document when deciding whether or not to vote in favour of the Disposal Resolution.*

*The following risks and uncertainties are not exhaustive and do not purport to be a complete explanation of all the risks involved. The risks and uncertainties set out below are those which the Board believes are the material risks specific to the Group. Additional risks and uncertainties relating to the Group which are not known to the Board at the date of this document, or that the Board currently deem immaterial, may also have a material adverse effect on the Group if they materialise*

*If any, or a combination of the following risks and uncertainties actually materialise, the business, operations, financial condition or prospects of the Group could be materially and adversely affected. In such circumstances, the market price of Ordinary Shares could decline and you may lose all or part of your investment.*

*These risks and uncertainties should be read in conjunction with all other information contained in this document.*

#### **1. Risks related to the Disposal**

The following risks and uncertainties relate to the terms of the Disposal Agreement:

##### ***1.1 Representations, warranties and indemnities in the Disposal Agreement***

The Disposal Agreement contains certain representations and warranties given by the Company in favour of the Buyers in respect of Taylor Wimpey's North American Business. Taylor Wimpey plc is also giving certain indemnities in favour of the Buyers in respect of Taylor Wimpey's North American Business. If the Company is required in the future to make payments under any of these representations, warranties or indemnities, this could have an adverse effect on the Group's cash flow and financial condition. Further details of the Disposal Agreement are set out in Part VII (Principal Terms of the Disposal Agreement) of this document.

##### ***1.2 Risks relating to payment of the consideration for the Disposal***

Pursuant to the Disposal Agreement, a portion of the consideration to be received by the Sellers (up to USD 303,654,200) may be placed in escrow with an escrow agent subject to receipt of certain certificates from US and Canadian tax authorities. While the Company expects to receive these certificates by Completion, if these certificates are not forthcoming or if they are not received, or if they require any payment of tax, the Sellers may not receive all or part of the aforementioned amount.

##### ***1.3 Pre-Completion changes in Taylor Wimpey's North American Business***

During the period from the signing of the Disposal Agreement on 30 March 2011 to Completion, events or developments may occur which could make the terms of the Disposal Agreement less attractive for the Company. Subject to the terms of the Disposal Agreement, the Sellers may be required to complete the Disposal notwithstanding such events or developments. This may have an adverse effect on the business, financial condition and operating results of the Group.

##### ***1.4 Conditions***

Completion of the Disposal Agreement is conditional upon the approval of Ordinary Shareholders and the satisfaction or waiver of certain other conditions listed in section 2 of Part VII (Principal Terms of the Disposal Agreement) of this document, which includes Canadian competition approval. There can be no assurance that these conditions will be satisfied or, as relevant, waived and that Completion will take place. In the event that Ordinary Shareholders do not approve the Disposal Resolution, or any other condition to the Disposal Agreement is neither satisfied nor waived, the Disposal will not be completed. In addition, the Buyers will be applying for EU competition approval, which may delay or impede the Disposal. If the Disposal does not complete, any of the risks and uncertainties set out in section 2 of this Part II (Risk Factors) may affect the Group's business and results.

## **1.5 Geographical risks**

Following Completion of the Disposal, the Group will no longer have a presence in the North American market. Instead, the Group's main market will be the UK, with comparatively smaller operations in Spain. The Group's competitors also have their main market in the UK. Although the recent downturn has been experienced in both the US and the UK at similar points in time, there is no guarantee that such timing would occur in any future downturns and it is possible that a future downturn in the UK market may not be replicated in the US or Canada. This reduced geographical spread may have an adverse effect on the Group's cash flow, operating results and financial condition.

## **2. Risks related to the Disposal not proceeding**

If the Disposal does not proceed, the following risks and uncertainties may affect the Group's business and results:

### **2.1 Potentially disruptive effect on the Group**

If the Disposal does not proceed, the Group's management and employees may be affected and key management or employees may choose to leave Taylor Wimpey's North American Business. This may have a negative effect on the performance of Taylor Wimpey's North American Business under the Company's ownership. To maintain shareholder value, the Company's management would be required to continue to allocate time and cost to the ongoing supervision and development of Taylor Wimpey's North American Business.

### **2.2 Risks relating to our growth potential**

If the Disposal does not proceed, the Group's borrowings may not be reduced and the Group's capacity to invest in its UK homebuilding business may not be strengthened as quickly as otherwise intended. As a result, the growth potential of the Group may be constrained, which may have a material adverse effect on the Group's cash flow, operating results and financial condition.

### **2.3 Risks relating to termination of the Disposal Agreement**

If the Disposal Agreement is terminated because the Board changes its recommendation or shareholders do not approve the Disposal at the General Meeting or because Completion has not occurred on or before 30 September 2011 and shareholder approval has not been obtained by then, the Company has agreed to pay to the Buyers an expense reimbursement fee of USD 21.3 million, such payment being equivalent to one per cent. of the Company's market capitalisation as at the time of signing the Disposal Agreement and intended to compensate the Buyers for expenses incurred in connection with the proposed acquisition of the North American Business.

### **2.4 Inability to realise shareholder value**

The Board believes the Disposal is in the best interest of shareholders taken as a whole and that it currently provides the best opportunity to realise an attractive and certain value for Taylor Wimpey's North American Business. If the Disposal does not complete, the Group's ability to deliver shareholder value and value for Taylor Wimpey's North American Business may be prejudiced.

## **3. Risks related to general economic conditions and the markets in which the Group operates**

### **3.1 Recession in the UK, North America and Spain, the credit crisis and the economic downturn have had and could continue to have a significant adverse effect on the Group's homebuilding business.**

The global market turmoil, the recession in the UK, North America and Spain and, in particular, the credit crisis, had an adverse effect on the Group's homebuilding business which became significant in the second half of 2008 and continued to have an impact through 2009 and 2010.

Although market conditions in North America and the UK have shown improvements in 2010, all of our markets remain characterised by a higher than usual level of uncertainty, with market confidence fluctuating between hopes of a sustained recovery and fears of a "double dip" recession. In addition, factors such as interest rates, inflation, investor sentiment, the availability and cost of credit, the liquidity of the global financial markets and the level and volatility of equity prices could significantly affect the activity level of potential purchasers of our homes. A continuation or deterioration of these economic and financial conditions in the future could

cause the financial performance and/or financial condition of the Group to decline, including by causing a decrease in the Group's cash flows or the value of its land assets. Such economic conditions and a decline in demand for the Group's products could have a material adverse impact on our business, financial condition and operating results.

Whilst the Group has taken steps to alleviate the impact of these conditions on its business, given the downturn in the housebuilding industry over the past several years and the continuing degree of uncertainty and instability in the financial markets, there can be no guarantee that steps taken by the Group will continue to be effective, and to the extent that the current economic environment does not improve or any improvement takes place over an extended period of time, the Group's business, financial condition and operating results may be materially adversely affected.

**3.2 *The housebuilding industry in our major markets has undergone a significant downturn that may continue for an indefinite period or worsen.***

We are a focused homebuilding company with operations in the UK, US, Canada and Spain. Our principal operations are our UK and North American housing segments, which, respectively, represented 67 per cent. and 32 per cent. of our total housing revenue in 2010, compared to 66 per cent. and 32 per cent. respectively, of our total housing revenue in 2009.

Generally, the housebuilding industry is cyclical and is significantly affected by changes in general and local economic conditions, such as population and employment levels, housing demand, availability and cost of homebuyer finance, interest rates, inflation rates, consumer confidence and the ratio of household income to house prices. Any oversupply of alternatives to new homes, such as rental properties, resale homes and repossessions or foreclosure sales, can adversely affect new house prices and, as a result, reduce margins on sales of new homes.

The future development of the housing markets in which we operate is uncertain, and in particular we cannot predict the severity or duration of the present downturn. There can be no assurance that any future recovery in consumer confidence or improvement in credit availability would result in a recovery of house prices and sales volumes to levels experienced in the past or at all. A deterioration or continuation of these market conditions could further decrease demand and pricing for new homes and have a significant adverse impact on our business, financial condition and operating results.

**3.3 *House sales volumes in our major markets have fallen significantly and could continue to fall.***

Following the exceptionally difficult market conditions of 2008, which continued into 2009 before some improvement in the first half of 2009 in the UK and in the second half of 2009 in the US, the Group reported improved profitability and margins in 2010. However, market conditions remain uncertain and we cannot predict the duration or severity of the current downturn in our markets nor can we provide any assurances that the adjustments which have been made to our operating strategies to address these conditions will be successful or sufficient or that further write downs of our inventory or other assets will not be required.

In the short term, sales volumes may be further adversely affected by local and national economic conditions, employment levels, the balance of supply and demand for homes, interest rates, the availability of credit and consumer confidence, and taxes and regulatory changes, among other factors.

Long term demand for new homes is directly related to population growth and the rate of new household formation. While these trends have, in the past, contributed to an increase in home ownership and demand for new homes in the UK, North America and Spain, there is no guarantee that this trend will recur or continue in the future.

Whilst the Group has made adjustments to its operating strategies to alleviate the impact of these conditions on its business, a deterioration or continuation of these market conditions could further decrease demand for new homes and have a material adverse impact on our business, financial condition and operating results.

**3.4 *Sales prices in our major markets have fallen significantly and could continue to fall.***

The very difficult selling conditions in our major markets resulted in us experiencing low sales rates and falling realised sales prices in 2008. Having reduced our prices during 2008 to reflect the adverse market conditions, we were able to achieve some price increases during 2009 and 2010. However, we cannot predict the duration or severity of the current downturn in our markets nor can we provide any assurances that the adjustments which have been made to our

operating strategies to address these conditions (including reducing our selling prices to stabilise sales rates in the current market) will be successful or sufficient or that further write downs of our inventory or other assets will not be required.

In the short term, sales prices may be adversely affected by local and national economic conditions, employment levels, the balance of supply and demand for houses, interest rates, the availability of credit and consumer confidence, and taxes and regulatory changes, among other factors.

Pricing competition can come from other housebuilders building new homes, individual homeowners selling their homes, investors selling investment properties and from banks selling foreclosed properties. The US residential mortgage market has been further impacted by the deterioration in the credit quality of loans originated to non prime and subprime borrowers and an increase in mortgage foreclosure rates. Between the third quarter of 2009 and the third quarter of 2010, the level of house foreclosures in the US housing market generally increased by 57.5 per cent. (compared to an increase of 46 per cent. in 2009) (source: Office of Thrift Supervision, US Department of the Treasury). These difficulties are not expected to improve until residential real estate inventories return to a more normal level and the mortgage credit market stabilises.

In England and Wales, the number of actual reposessions occurring, expressed as a proportion of mortgage possession claims which led to an order being made in the county courts, was 74.6 per cent. for the third quarter of 2010, compared to 63 per cent. in 2009 and 44 per cent. in 2008 (source: Council of Mortgage Lenders), which we believe has had an adverse effect on house prices and our selling prices.

While the ultimate outcome of these events cannot be predicted, they have had and may continue to have an impact on the availability and cost of mortgage financing to our customers. The volatility in interest rates, the decrease in the willingness and ability of lenders to make home mortgage loans, the tightening of lending standards and the limitation of financing product options, have made it more difficult for homebuyers to obtain acceptable financing. Any substantial increase in mortgage interest rates or unavailability of mortgage financing would adversely affect the ability of prospective first time and move up homebuyers to obtain financing for our homes, as well as adversely affect the ability of prospective move up homebuyers to sell their current homes.

Whilst the Group has made adjustments to its operating strategies to alleviate the impact of these conditions on its business, a continuation or deterioration of these market conditions could further decrease pricing for new houses and have a material adverse impact on our business, financial condition and operating results.

### **3.5 *Cancellation rates of existing sales contracts may rise in the future.***

Although our cancellation rates have been low in 2010 (averaging 18.2 per cent. in the UK and 15 per cent. in North America during 2010), following a substantial improvement in 2009 (at 18.7 per cent. in the UK and 15 per cent. in North America against the elevated levels in 2008 of 37.5 per cent. in the UK and 23 per cent. in North America), cancellation rates of existing sales contracts may rise in the future.

Our order book reflects the number and value of homes on which we have taken reservations, some of which may have proceeded to a legally binding contract. Customers who have not entered into a legally binding contract may cancel their reservation and forfeit some or all of their deposit. Customers who have entered into a legally binding contract may also fail to complete (for example, due to a change of circumstances, inability to sell their existing home or lack of funding). If house prices decline, if interest rates increase or if other adverse economic conditions occur, homebuyers may have an incentive to cancel their contracts with us, even if they might be entitled to no refund or only a partial refund of their deposits.

In cases of cancellation, we remarket the home and usually retain any deposits we are permitted to retain. However, the deposits do not usually cover the additional costs involved in remarketing the home and carrying higher inventory. Significant numbers of cancellations could have a material adverse effect on our business, financial condition and operating results as a result of lost sales revenue and the accumulation of, and costs of maintaining, unsold housing inventory.

**3.6 Demand for new homes is sensitive to economic conditions over which we have no control, such as the availability of mortgage financing and the level of unemployment.**

A substantial majority of our homebuyers finance their home purchases through a lender providing mortgage financing.

The availability of mortgage credit remains constrained in the UK, due to cautious mortgage valuations on properties and lower risk appetite by lenders, with many lenders requiring increased levels of financial qualification, lending lower multiples of income and requiring greater deposits. Investors and first time homebuyers are more affected by these factors than other potential homebuyers. This affects us in particular as these buyers are a key source of our demand. Although there have been signs of easing over recent months, we expect that these factors will continue to adversely affect the volume of our home sales and the sales prices we achieve.

In each of our markets, decreases in the availability, and increases in the cost, of credit adversely affect the ability of homebuyers to obtain or service financing. Even if potential homebuyers do not themselves need financing, adverse changes in interest rates and mortgage availability could make it harder for them to sell their existing homes to other potential buyers who need financing.

In the UK, the unemployment rate was 7.9 per cent. as at December 2010 (compared to 7.8 per cent. as at October 2009) (source: Office for National Statistics). In the US, the unemployment rate was 9.0 per cent. as at January 2011 (compared to 9.5 per cent. as at October 2009) (source: US Bureau of Labor Statistics). People who are not employed or are concerned about the loss, or potential loss, of their jobs are less likely to purchase new homes and may be forced to try to sell the homes they own. Therefore, any increase in unemployment may lead to an increase in the number of loan delinquencies and property repossessions and have an adverse impact on us both by reducing demand for the homes we build and by increasing the supply of homes for sale.

These factors have had a significant adverse effect on our business, financial condition and operating results and although we have taken steps to reduce the impact of these factors, they may continue to have such an impact for an indeterminate period.

In October 2009, the FSA launched a wide ranging mortgage market review in the UK, which included consideration of strengthened rules and guidance on, inter alia, affordability assessments, product regulation, arrears charges and responsible lending. In June 2010, the FSA made changes to the FSA's Mortgages and Home Finance: Conduct of Business Sourcebook, which effectively converted previous guidance on the policies and procedures to be applied by authorised firms with respect to forbearance in the context of regulated mortgage contracts into formal mandatory rules. The new rules restrict a firm from repossessing property unless all other reasonable attempts to resolve the position have failed. In complying with such restriction, a firm is required to consider whether, given the borrower's circumstances, it is appropriate to take certain actions.

In addition, in November 2009, H.M. Treasury published a consultation on proposals for the FSA to regulate second charge mortgages and buy to let mortgages, and to introduce a regulated activity of managing regulated mortgage contracts which is intended to protect consumers when mortgage loans are sold. No draft legislation has been published to date which would give effect to those proposals. In February 2011, H.M. Treasury published a consultation paper, building on its July 2010 consultation on its proposals to replace the FSA with a prudential regulation authority and a consumer protection and markets authority.

At this point, it is impossible to predict how and the extent to which the foregoing announced changes will impact on the operations, business results, financial condition or prospects of the Group. Accordingly, the Group cannot be assured that any further changes to the existing regulatory regime arising from the FSA's mortgage market review or H.M. Treasury's proposals to change mortgage regulation or the H.M. Treasury consultation concerning the regulatory framework that will replace that currently in place under FSMA, or the implementation of any of the foregoing matters or any other regulatory changes that may be proposed, will not have a material adverse effect on its operations, business, results, financial condition or prospects of the Group.

**3.7 *The net realisable value of our land and work in progress has fallen significantly in the last two years and could fall further.***

There is an inherent risk that the value of land owned by us may decline after purchase due to unforeseen changes in subsequent market conditions. The valuation of property is inherently subjective due to the individual nature of each property. Factors such as changes in regulatory requirements and applicable laws (including in relation to building regulations, taxation and planning), political conditions, the condition of financial markets, the financial condition of customers, potentially adverse tax consequences, and interest and inflation rate fluctuations all mean that valuations are subject to uncertainty. Moreover, all valuations are made on the basis of assumptions which may not prove to reflect the true position. There is no assurance that the valuations of land and housing stock will reflect actual sale prices. There is a risk that unforeseen events will have an impact on the value of our current landbank and that a decline in land value will materially and adversely affect our business, financial condition and operating results.

We regularly review the value of our land holdings and will continue to do so on a periodic basis. We can give no assurances that future write downs in the value of our inventory will not be required as a result of any of the aforementioned factors and any such write downs may have a material adverse effect on our business, financial condition and operating results.

**3.8 *The balance sheet value attributed to our interests in properties by virtue of shared equity schemes may not equal the amount realised for the asset.***

As a result of incentives offered to purchasers including shared equity schemes, we retain a partial equity interest in certain properties after they are sold, and attribute value to such retained interests on our balance sheet. There can be no assurance that, when realised, the amount received will equal that attributed to the asset on our balance sheet. This may have a material adverse effect on our business, financial condition and operating results.

**3.9 *Required levels of investment may exceed available capital in the long term.***

Our operations require and will continue to require capital investment. While we have no current intention or need to do so, we may seek additional capital, whether from sales of equity or debt or additional bank borrowings, to invest in the future of the business. No assurance can be given as to the availability of such capital at the relevant time or, if available, whether it would be on acceptable terms. If we were not to be successful in obtaining such capital, it may have a material adverse effect on our future growth, financial condition and operating results.

**3.10 *Increases in operating and other expenses without corresponding increases in revenue may affect our financial performance.***

Our operating and other expenses could increase without a corresponding increase in revenue. Factors which could increase operating and other expenses include increases in costs of labour and materials and increases in subcontractor and professional services costs. Such increases and/or the failure to effectively manage the same could have a material adverse effect on our business, financial condition and operating results.

**3.11 *The housebuilding and house development market is, and could become increasingly, competitive.***

Our competitors include other local, regional and national housebuilders, some of whom have greater sales and financial resources and lower costs of funds than us. Many of these competitors also have longstanding relationships with sub contractors and suppliers in the markets in which we operate. We compete with other housebuilders and developers for buyers, desirable sites, financing, raw materials and skilled labour. Competition in the housebuilding industry has recently reduced because of the downturn. Increased competition in housebuilding may result in difficulty in acquiring suitable land at acceptable prices, the need for increased selling incentives, lower sales or profit margins and/or delays in construction. Furthermore, there is a risk in an increasingly competitive environment that we may lose existing customers or fail to secure new customers, which may have a material adverse effect on our business, financial condition and operating results.

**3.12 *Our businesses are subject to complex and substantial regulations. The regulatory environment in which we operate may change in each of the relevant jurisdictions.***

In each of the jurisdictions in which we operate, we are required to comply with national, local and other laws and substantial regulations and administrative requirements and policies which relate to, among other matters, planning, developing, building, land use, sales, providing or

arranging mortgage financing, fire, health and safety, environment and employment. These laws and regulations often provide broad discretion to the administering authorities. Changes in relevant law, regulations or policies, or the interpretation thereof, or delays in such interpretations being delivered, may delay or increase the cost of our development or housebuilding.

Each aspect of the regulatory environment in which we operate is subject to change. Changes could have a material adverse impact on our business and operating results, in particular in (but not limited to) the following areas:

- changes to building regulations;
- additional planning requirements;
- changes to labour laws;
- changes to health and safety regulations;
- changes to environmental and sustainability requirements;
- changes to taxation;
- imposition of restrictions on the transfer of capital in the countries in which we have operations; and
- changes to regulation regarding provision of mortgages.

In particular, we are also subject to numerous laws, regulations and policies concerning protection of health, safety and the environment. The impact of such laws, regulations and policies can vary greatly from site to site, depending on, among other things, the site's environmental condition and the present and former uses of the site. Environmental laws, regulations and policies may result in delays, may give rise to substantial compliance, remediation and/or other costs, and can prohibit or severely restrict development and housebuilding in certain locations.

We expect that increasingly stringent requirements will be imposed on developers and housebuilders in the future. Although the effect of these requirements cannot be predicted, compliance with them could cause delays and increase our costs. This could have a material adverse effect on our business, financial condition and operating results.

Local and national planning policies, local urban regeneration strategies, the use of brownfield and greenfield sites and building on greenbelt sites, continue to have a significant impact on the ability of housebuilders to develop sites. Delays to the expected timescale for receipt of planning permissions for a site may result in a reduction in the number of homes that are available for sale. Planning policies can place restrictions on access to new land and on how land is developed. In the UK, for example, planning permissions can be very specific on matters including the density, types of housing and availability of car parking spaces. If the views of the planners do not coincide with customers' aspirations there may be a negative impact on demand for the product. The estimated number of plots and the economic feasibility of development represented by our strategic land may also be reduced due to planning considerations.

Certain planned and other developments will require new planning permissions to be granted by the local planning authority. There can be no certainty that such applications, or broadly equivalent proposals, will result in full planning permissions or that planning permissions, if granted, will not be on unduly onerous terms. Our ability to obtain the necessary planning permissions required to build homes is dependent on our ability to meet the relevant regulatory and planning requirements. Any failure to obtain such planning permissions on favourable terms or at all could have a material adverse impact on our business, financial condition and operating results.

In particular, following the recent change of government in the UK, there are proposals to make significant changes to the regulatory environment in respect of the planning process. The UK government's Localism Bill is currently being debated by Parliament and, therefore, the full detail of these plans and the timetable for implementation are not yet fully known. As such there is uncertainty regarding the impact on timescales and outcomes from the planning process once the new regulations are in force and, in particular, during the transition to the new regulations.

**3.13 *Our businesses are subject to changes in economic policy in each of the relevant jurisdictions.***

The UK and US governments have responded to the economic downturn by implementing fiscal measures and economic policies (such as the UK stamp duty holiday), which have been aimed at increasing the availability of credit or affordability of housing. The withdrawal or cessation of such measures has had an adverse impact, and could in the future have a material adverse impact, on our business, financial condition and operating results.

In the UK, the government's Comprehensive Spending Review ("CSR") to reduce the budget deficit was announced on 20 October 2010. Although the effect of the CSR on the housebuilding industry is broadly in line with our expectations, its framework has not been fully implemented. In addition, such proposals remain subject to further review and change as part of the legislative process, and any spending cuts that affect our business may have an adverse impact on our business, financial condition and operating results.

**3.14 *Our business depends on the continued viability of contractors, subcontractors and other service providers.***

Our business requires us to hire third party contractors to provide construction and various other services for the development of our sites. Such third party contractors have been and may continue to be adversely affected by economic downturns or recessions, including the current downturn. The Group may hire a contractor that subsequently becomes insolvent, causing cost overruns, programme delays and increasing the risk that we will be unable to recover costs in relation to any defective work performed by such contractor, to the extent such costs are not covered by insurance. The insolvency or other financial distress of one or more of our current contractors could have a material adverse impact on our business, financial condition and operating results.

**3.15 *Failure to recruit, retain and develop highly skilled, competent people at all levels, including finding suitable subcontractors, may have a material adverse effect on standards of service.***

Key employees, including management team members, are fundamental to our ability to obtain, generate and manage opportunities. Key employees working in the housebuilding and construction industries are highly sought after. Failure to attract and retain such personnel or to ensure that their experience and knowledge is not lost when they leave the business through retirement, redundancy or otherwise may have a material adverse effect on standards of service and may have a material adverse impact on our business, financial condition and operating results.

The challenging market conditions have meant that we have had to reduce our number of employees across the Group, which may have resulted in a loss of knowledge that could be detrimental to our business and our ability to manage future business opportunities.

The vast majority of our work carried out on site is performed by subcontractors. The difficult operating environment over the last two years has resulted in the failure of some subcontractors' businesses and may result in further failures. In addition, reduced levels of housebuilding have led to some skilled tradesmen leaving the industry to take jobs in other sectors. If subcontractors are not able to recruit sufficient numbers of skilled employees, our developments may suffer from delays and quality issues, which could also lead to reduced levels of customer satisfaction, and a lack of skilled third party contractors could also result in higher levels of waste being produced from our sites. Our margins, and accordingly our business, financial condition and operating results, may be materially and adversely affected.

**3.16 *Cost savings or cost reduction programmes may not be achieved or could reduce our ability to respond to any improvements in economic conditions.***

We continue to review our cost savings and cost reduction programmes in the light of the ongoing adverse market conditions. There is a risk that the implementation of these actions may not yield the anticipated benefits or be more costly than currently anticipated, or may result in unanticipated material adverse effects on our business, financial condition and operating results. While we believe that the measures we have taken are appropriate in the current economic conditions, there can be no assurance that further cost reduction measures will not become necessary or that they can be pursued without impairing our ability to carry on our business efficiently and at appropriate levels if there is a subsequent improvement in business conditions.

**3.17 *Shortages or increased costs of materials and skilled labour could increase costs and delay deliveries and may have an adverse impact on customer/client relationships.***

Housebuilders are subject to inventory risks related to anticipating consumer demand and supply risks related to the availability and cost of land suitable for housebuilding and the availability and cost of materials and labour. Increased costs or shortages of skilled labour and/or timber, framing, concrete, steel and other building materials could cause increases in construction costs and construction delays. Increases in our product prices or delays in construction may result in potential customers being less willing or able to purchase homes. If we are unable to pass on any increase in our costs to our customers, which may be the case during challenging trading periods, our margins, and accordingly our business, financial condition and operating results, may be materially and adversely affected.

**3.18 *The nature of our business could result in significant cost overruns or errors in valuing sites or may fail to prevent fraudulent activity.***

The Group owns and, in normal market conditions, purchases a large number of sites each year and is therefore dependent on its ability to process a very large number of transactions (which include, among other things, evaluating the site purchase, designing the layout of the development, sourcing materials and subcontractors and managing contractual commitments) efficiently and accurately. While the Group has established procedures and systems to cope with such large numbers of transactions, errors by employees, equipment failures, natural disasters or the failure of external systems, including those of our suppliers or counterparties, could result in significant cost overruns or errors in valuing sites or may fail to prevent fraudulent activity, all of which could have a material adverse impact on our business, financial condition and operating results and our relationships with our customers.

**3.19 *Natural disasters and severe weather conditions could delay deliveries of homes, increase costs or decrease demand for new homes in affected areas.***

Some of our housebuilding operations are located in areas (such as Florida and California) that are subject to natural disasters and severe weather conditions. The occurrence of natural disasters or severe weather conditions can delay new home deliveries, increase costs and result in uninsured losses by damaging inventories, reduce the availability of materials or have a negative impact on the demand for new homes in affected areas and consequently may have a material adverse effect on our business, financial condition and operating results.

**3.20 *Housebuilding is subject to the risk of construction defects which may give rise to significant contractual or other liabilities.***

There can be no assurance that any developments we undertake will be free from defects once completed or will generate the expected levels of return. Construction defects may occur on projects and developments and may arise a significant period of time after completion of that project or development. Defects arising on a development attributable to us may give rise to significant contractual or other liabilities which can extend, depending on the relevant contractual or statutory provisions, for a period of up to twelve years or more from completion of the project or development. Unexpected levels of expenditure attributable to defects arising on a development project may have a material adverse effect on the levels of return generated from a particular project. In addition, severe or widespread incidence of defects giving rise to unexpected levels of expenditure may, to the extent that insurance or redress against subcontractors does not compensate, have a material adverse effect on our business, financial condition and operating results.

**3.21 *Housebuilding is a complex activity which can involve litigation and there is no guarantee that a substantial claim brought against the Group will be covered by its insurance cover.***

In the course of our housebuilding activities, we are exposed to potentially significant litigation including, but not limited to, breach of contract, contractual disputes and also, in the case of housebuilding, disputes relating to defective title, property misdescription or construction defects, including use of defective materials. Insurance, if any, may be insufficient to cover the particular claim or loss. Significant litigation may adversely affect our business, financial condition and operating results or cause the Group significant reputational harm. In the experience of the Directors, when market conditions are unfavourable, customers and other parties may be more likely to litigate in relation to disputes or losses, for example, in relation to disputed valuations. Falling property prices also increase the likelihood that a party to a transaction, for example, a purchaser or lender, will suffer losses in relation to the transaction. While the Group maintains

commercial insurances in an amount it believes is appropriate against risks commonly insured against by persons carrying on similar businesses, there is no guarantee that it will be able to obtain the levels of cover desired by the Group on acceptable terms in the future. In addition, even with such insurance in place, the risk remains that the Group may incur liabilities to clients and other third parties which exceed the limits of such insurance cover or are not covered by it. Should such a situation arise it may have a material adverse effect on the Group's business, results of operation, financial condition or prospects.

**3.22 *Failure by our customers to procure mortgage approval or other forms of funding can lead to cancellations of home sale contracts.***

There is a risk that a buyer will not receive mortgage approval or qualify for funding within the relevant time frame and will not be able to proceed with the sale. As a result, the contract may be cancelled. We aim to mitigate this risk as much as possible by reviewing the prospective buyer's ability to qualify for a mortgage or other form of funding prior to entering into the contract and reporting the transaction as a sale. This initial review is based solely on information provided to us by the buyer, without independent verification. The risk of such cancellations is exacerbated by constraints in the availability of mortgages and tightened lending criteria, both of which are current characteristics of the housing markets in which we operate, and could have a material adverse effect on our business, financial condition and operating results.

**3.23 *Land can be an illiquid asset and can therefore be difficult to sell.***

Land and properties (such as those in which we have invested and may in the future invest) can be relatively illiquid, meaning that they may not be easily sold and converted into cash. Such illiquidity may affect our ability to value, dispose of or liquidate part of our landbank in a timely fashion and at satisfactory prices in response to changes in economic, real estate market or other conditions. This could have a material adverse effect on our business, financial condition and operating results.

**3.24 *We are exposed to failure of counterparties.***

We often develop sites in collaboration with third parties and take on liabilities on a joint and several basis. We manage our liability through the use of bonds and indemnities but there can be no assurance that these would be adequate in the event of default by our co obligors. We are therefore exposed to the risk of default by our co obligors.

We also sell land on deferred terms, thereby providing credit against land which is generally secured. There can be no assurance that, should our counterparties default in their obligations to us, the security, when realised, will be adequate to discharge the amounts owed to us.

Failure of our co obligors and counterparties could have a material adverse effect on our business, financial condition and operating results.

**3.25 *An inability to obtain additional surety bonds could limit our future growth.***

We are often required to provide surety bonds to secure our performance under construction contracts, development agreements and other arrangements. We have obtained facilities to provide the required volume of surety bonds for the expected growth of the group in the medium term; however, unanticipated growth may require additional surety facilities. Our ability to obtain additional surety bonds primarily depends upon our financial strength, past performance, management expertise and certain external factors, including the capacity of the surety market. If we cannot continue to obtain sufficient surety bonds to meet our future needs, this inability could materially adversely affect our business, financial condition and operating results.

**3.26 *Increased interest rates will increase our borrowing costs.***

We are exposed to interest rates on our floating rate debt. Interest rates on floating rate borrowings are usually set for periods of up to six months. Fluctuations in interest rates affect the interest expense on existing debt facilities and the cost of new financings. Whilst we try to manage interest rate risks, our cost of borrowing would be adversely affected by an interest rate increase, which could have a material adverse effect on our business, financial condition and operating results.

**3.27 *Changes to foreign currency exchange rates could adversely affect our earnings and net asset value.***

Outside the UK, we have businesses with exposure to foreign currency exchange risk in the US, Canada and Spain. Changes in exchange rates will affect the value of the reported earnings and the value of those assets and liabilities denominated in foreign currencies. For example, an increase in the value of pounds sterling to the US Dollar would reduce our US Dollar denominated revenue when reported in pounds sterling, the Group's functional reporting currency. Although we engage in some hedging of foreign currency exchange risk where appropriate, there can be no assurance that our business, financial condition and operating results will not be materially adversely affected by such exchange rate fluctuations.

**3.28 *Adverse tax consequences could occur as a result of changes in tax law or other factors.***

Tax rules, including stamp duty land tax provisions and their interpretation, may change. Any change in any member of our Group's tax status or in taxation legislation or its interpretation could affect the value of property held by us, and may affect our ability to provide returns to Ordinary Shareholders or alter the post tax returns to Ordinary Shareholders. In the US and Canada, increases in property tax rates by local governmental authorities may adversely affect the ability of potential customers to obtain financing or their desire to purchase new homes.

New housing developments may be subject to property taxes, which can be substantial, and, in the UK, the provision of public facilities for the benefit of the community pursuant to section 106 of the Town and Country Planning Act 1990. In particular, requirements for affordable housing, notably social renting, may have a negative impact on our margins and adversely affect sales.

As would be expected for a group of our size with operations in a number of territories, there are a number of tax issues which have been challenged (or not agreed) by the relevant tax authorities or which are subject to challenge. These open items are reviewed each year, and provision is made in our accounts to the extent we believe appropriate. We are not currently a party to any tax related litigation on any significant taxation matter, and we are defending our position on open items.

No assurance can be given that the outcome of these tax matters or unprovided tax matters will not result in a material adverse effect on our business, financial condition and operating results.

**3.29 *The nature of our business requires the adoption and maintenance of a rigorous health and safety programme. A major health and safety incident could be costly in terms of potential liabilities and reputational damage.***

Building sites are inherently dangerous places and operating in the housebuilding industry poses certain inherent health and safety risks. Due to our focus on operational and occupational safety, health and safety regulatory requirements and the number of projects we work on, health and safety performance is critical to the success of all areas of our business. Any failure in health and safety performance may result in penalties for non compliance with relevant regulatory requirements, and a failure which results in a major or significant health and safety incident is likely to be costly in terms of potential liabilities incurred as a result. Furthermore, such a failure could generate significant adverse publicity and have a negative impact on our reputation and our ability to win new business, which in turn may have a material adverse effect on our business, financial condition and operating results.

**3.30 *Ownership, leasing or occupation of land carries potential environmental risks and liabilities.***

We may be liable for the costs of removal, investigation or remediation of hazardous or toxic substances located on, under or in a property currently or formerly owned, leased or occupied by us, whether or not we caused or knew of the pollution. The costs of any required removal, investigation or remediation of such substances or the costs of defending against environmental claims may be substantial. The presence of such substances, or the failure to remediate such substances properly, may also adversely affect our ability to sell the land or to borrow using the land as security. Some of the projects we have developed are located on land that may have been contaminated by previous use. No assurances can be given that material claims or liabilities relating to such developments will not arise in the future. Laws and regulations may also impose liability for the release of certain materials from land into the air or water, including asbestos, and such release can form the basis for liability to third persons for personal injury or other damages. This could have a material adverse effect on our business, financial condition and operating results.

**3.31 *We may be liable to claims for damages as a result of use of hazardous materials, including asbestos.***

As a housebuilding business with a wide variety of historic housebuilding and formerly owned construction activities outside of housebuilding, we could be liable for future claims for damages as a result of past or present use of hazardous materials, including materials which in the future become known to have been hazardous. Some of these claims could be unknown at the present time. Specifically, over the years, we have been the subject of a number of claims in which former employees and/or employees of our subcontractors have successfully claimed damages for ill health due to asbestos exposure. Historically, asbestos was used as a building material by the construction industry and exposure to asbestos and inhalation of asbestos fibres can lead to a number of diseases. There are a number of current claims against us and there may be further claims brought in the future against us which may have a material adverse effect on our business, financial condition and operating results. We have limited recourse to employers' liability insurance owing to the insolvency of certain insurers which means that we are exposed to uninsured claims for damages as a result of asbestos exposure occurring before 1974.

**3.32 *We may suffer uninsured losses or suffer material losses in excess of insurance proceeds (including in relation to terrorist attacks).***

We could suffer physical damage to property and/or liabilities resulting in losses that may not be fully compensated by insurance. In addition, certain types of risks may be, or may become in the future, either uninsurable or not economically insurable, or may not be currently or in the future covered by our insurance policies. Should an uninsured loss or a loss in excess of insured limits occur, we could sustain financial loss or lose capital invested in affected property as well as anticipated future income from that property. In addition, we could be liable to repair damage or meet liabilities caused by uninsured risks. We would also remain liable for any debt or other financial obligation related to affected property. No assurance can be given that material losses or liabilities in excess of insurance proceeds will not occur in the future.

For example, in the US, the coverage offered and the availability of general liability insurance for construction defects is currently limited and costly. As a result, an increasing number of our subcontractors in the US are unable to obtain insurance and a number are effectively self insured by us. If we cannot effectively recover construction defect liabilities and costs of defence from our subcontractors or their insurers, or if we have self insured, we may suffer losses. There can be no assurance that coverage will not be further restricted and become even more costly. This could have a material adverse effect on our business, financial condition and operating results.

**3.33 *Risks inherent in the acquisition or disposal of businesses and subsidiaries may have an adverse impact on our business, financial condition or operating results.***

From time to time we have made and may continue to make acquisitions and/or disposals of businesses and subsidiaries. In 2007, the Company was formed by the Merger, and we then sold our construction businesses in the UK and Ghana in September 2008 and April 2009, respectively. Acquisitions and disposals, such as the foregoing, may not realise the anticipated benefits or there may be other unanticipated or unintended effects. While we seek protection, for example through warranties and indemnities in the case of acquisitions, significant liabilities may not be identified in due diligence or come to light after the expiry of warranty or indemnity periods. Additionally, while we seek to limit our ongoing exposure, for example through liability caps and period limits on warranties and indemnities in the case of disposals, some warranties and indemnities may give rise to unexpected and significant liabilities. Any claims arising in the future may materially adversely affect our business, financial condition and operating results.

**3.34 *We have defined benefit pension schemes to which we may be required to increase our contributions to fund deficit shortfalls.***

We provide retirement benefits for our former and current employees through a number of defined benefit and defined contribution pension schemes.

In the UK, the TWGP&LAF and GWSPS are funded defined benefit schemes. Both schemes are closed to future accrual and to new members. Following the completion of the triennial valuation as at 31 March 2010, the Group's deficit reduction payments in respect of the TWGP&LAF will be £22 million per annum. The deficit reduction payments to the GWSPS will be £24 million per annum. As at 31 December 2010, the combined IAS 19 deficit of all schemes was £248.5 million, as compared to £406.4 million in 2009.

In the US and Canada, the Group has defined benefit pension plans. These plans are no longer available to new employees. At 31 December 2010, the plans reported liabilities in the Group's audited financial statements of USD 25.4 million and CAD 12.6 million and a fair value of plan assets of USD 19.3 million and CAD 11.5 million, respectively.

In the event that the market value of the assets of such pension schemes declines or the value of the assessed liabilities increases or if the trustees determine that our financial position requires a different approach to contributions and deficit reduction, we may be required to increase our contributions. Changes in investment strategy of the schemes may also result in a requirement to increase our contributions. In addition, the pensions regulator in the UK has powers, the exercise of which could require us to make additional contributions. Increases to our contributions could have a material adverse impact on our operating results and financial position.

## **PART III**

### **FORWARD-LOOKING STATEMENTS**

This document contains forward-looking statements which are subject to assumptions, risks and uncertainties. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, there can be no assurance that these expectations will prove to have been correct. Since these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by those forward-looking statements. Each forward-looking statement is correct only as of the date of the particular statement.

Except as required by the rules of the London Stock Exchange, the Listing Rules, the Disclosure Rules or any other applicable law, the Company does not undertake any obligation or undertaking to publicly update or revise any forward-looking statement contained herein to reflect any change in the Company's expectations or any change in events, conditions, or circumstances or other information on which any such statement is based.

The statements in this Part III (Forward-Looking Statements) should not be construed as a qualification to the opinion of the Company as to the Continuing Group's working capital set out in section 10 of Part VIII (Additional Information) of this document.

## PART IV

### FINANCIAL INFORMATION OF TAYLOR WIMPEY'S NORTH AMERICAN BUSINESS

The following historical information relating to Taylor Wimpey's North American Business, which has been prepared under IFRS, has been extracted without material adjustment from the consolidation schedules used in preparing the audited consolidated financial statements of the Group for the years ended 31 December 2010, 31 December 2009 and 31 December 2008.

The financial information contained in this Part IV (Financial Information of Taylor Wimpey's North American Business) does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985 or as the case may be Section 434 of the Companies Act 2006. The consolidated statutory accounts for the Company in respect of the financial year ended 31 December 2010 will be, and in respect of the financial years ended 31 December 2009 and 31 December 2008 have been, delivered to the Registrar of Companies. The auditors' reports in respect of the statutory accounts for each of these three financial periods were unqualified and did not contain statements under section 237(2) or (3) of the Companies Act 1985 or as the case may be section 498(2) or (3) of the Companies Act 2006.

Ordinary Shareholders should read the whole of this document and not rely solely on the summarised financial information contained in this Part IV (Financial Information of Taylor Wimpey's North American Business).

#### Financial information

##### 1. Income statement for the years ended 31 December 2010, 31 December 2009 and 31 December 2008:

	Year ended 31 December		
	2010	2009	2008
	£'m	£'m	£'m
Revenue	835.6	824.3	981.6
Cost of sales	(701.5)	(727.7)	(872.1)
Gross profit	134.1	96.6	109.5
Net operating expenses	(50.5)	(55.1)	(57.4)
Profit on ordinary activities before share of joint ventures, exceptional items and finance costs	83.6	41.5	52.1
Share of results of joint ventures	10.2	6.6	7.8
Profit on ordinary activities before exceptional items and finance costs	93.8	48.1	59.9
Exceptional items	(7.5)	(79.8)	(76.6)
Profit/(loss) on ordinary activities before finance costs and taxation	86.3	(31.7)	(16.7)

#### Notes:

Taylor Wimpey's North American Business is one of three operating segments of the Group and is currently financed through Existing Facilities. As such it is not possible to provide a meaningful allocation of interest costs to Taylor Wimpey's North American Business for these periods. In addition, it is not possible to provide a meaningful allocation of tax charges to Taylor Wimpey's North American Business for these periods.

## 2. Net asset statement as at 31 December 2010:

	Year ended 31 December 2010*
	£'m
<i>Non-current assets</i>	
Goodwill	2.4
Other intangible assets	—
Property, plant and equipment	2.2
Interests in joint ventures	15.8
Trade and other receivables	45.8
Deferred tax assets	5.8
<i>Current assets</i>	
Inventories	755.6
Trade and other receivables	81.1
Tax receivables	—
Cash and cash equivalents	111.9
Total assets	<u>1,020.6</u>
<i>Current liabilities</i>	
Trade and other payables	(197.9)
Tax payables	(17.5)
Bank loans and overdrafts	(15.0)
Provisions	(13.3)
<i>Non-current liabilities</i>	
Trade and other payables	(41.2)
Bank and other loans	—
Retirement benefit obligations	(4.4)
Deferred tax liabilities	(0.8)
Provisions	(31.0)
Total liabilities	<u>(321.1)</u>
Net assets	<u><u>699.5</u></u>

\* The net assets of Taylor Wimpey's North American Business excludes net intercompany balances with other Group companies of £3.8 million as at 31 December 2010.

## **PART V**

### **UNAUDITED PRO FORMA STATEMENT OF NET ASSETS**

Set out below is an unaudited pro forma statement of consolidated net assets of the Group as at 31 December 2010. It has been prepared on the basis set out in the notes below to illustrate the effect of the Disposal on the consolidated net assets of the Continuing Group had the Disposal occurred on 31 December 2010. It has been prepared for illustrative purposes only. Because of its nature, the pro forma statement addresses a hypothetical situation and, therefore, does not represent the Continuing Group's actual financial position or results. It is based on the consolidation schedules used in preparing the audited consolidated balance sheet of the Company and Taylor Wimpey's North American Business as at 31 December 2010, which in the case of Taylor Wimpey's North American Business is reproduced in Part IV (Financial Information of Taylor Wimpey's North American Business) of this document.

Ordinary Shareholders should read the whole of this document and not rely solely on the summarised financial information contained in this Part V (Unaudited Pro Forma Statement of Net Assets).

The report on the unaudited pro forma statement of net assets is set out in Part VI (Report on the Unaudited Pro Forma Statement of Net Assets) of this document.

	Adjustments			
	Group net assets as at 31 December 2010 <sup>(1)</sup>	Taylor Wimpey's North American Business net assets as at 31 December 2010 <sup>(2)</sup>	Disposal adjustments <sup>(3)</sup>	Pro forma for the Continuing Group <sup>(4)</sup>
	£'m	£'m	£'m	£'m
<i>Non-current assets</i>				
Goodwill	2.4	(2.4)	—	—
Other intangible assets	1.0	—	—	1.0
Property, plant and equipment	7.6	(2.2)	—	5.4
Interests in joint ventures	49.7	(15.8)	—	33.9
Trade and other receivables	96.5	(45.8)	—	50.7
Deferred tax assets	372.4	(5.8)	—	366.6
<i>Current assets</i>				
Inventories	3,436.2	(755.6)	—	2,680.6
Trade and other receivables	155.7	(81.1)	3.8	78.4
Tax receivables	19.8	—	—	19.8
Cash and cash equivalents	183.9	(111.9)	174.6	246.6
<b>Total assets</b>	<b>4,325.2</b>	<b>(1,020.6)</b>	<b>178.4</b>	<b>3,483.0</b>
<i>Current liabilities</i>				
Trade and other payables	(902.9)	197.9	—	(705.0)
Tax payables	(162.7)	17.5	57.9	(87.3)
Bank loans and overdrafts	(15.1)	15.0	—	(0.1)
Provisions	(46.8)	13.3	—	(33.5)
<i>Non-current liabilities</i>				
Trade and other payables	(257.1)	41.2	—	(215.9)
Debenture loans	(250.0)	—	—	(250.0)
Bank and other loans	(573.3)	—	473.3	(100.0)
Retirement benefit obligations	(250.5)	4.4	32.5	(213.6)
Deferred tax liabilities	(0.8)	0.8	—	—
Provisions	(42.9)	31.0	(57.9)	(69.8)
<b>Total liabilities</b>	<b>(2,502.1)</b>	<b>321.1</b>	<b>505.8</b>	<b>(1,675.2)</b>
<b>Net assets</b>	<b>1,823.1</b>	<b>(699.5)</b>	<b>684.2</b>	<b>1,807.8</b>

Notes:

- The financial information relating to the Group has been extracted without material adjustment from the audited financial statements of the Group as at 31 December 2010.
- The financial information relating to Taylor Wimpey's North American Business has been extracted without material adjustment from the financial information on Taylor Wimpey's North American Business as set out in Part III (Financial Information of Taylor Wimpey's North American Business) of this document.
- The Company has agreed to sell the entire share capital of Taylor Woodrow Holdings (USA) Inc. and Taylor Wimpey Holdings of Canada, Corporation for a base consideration of USD 954.7 million (£595.2 million at the current exchange rate). The disposal adjustments consist of the following items:
  - recognition of the base proceeds of £595.2 million cash, of which £473.3 million has been applied to reduce bank borrowings. As a result of the Disposal, "Facility A" of the Company's £950 million syndicated revolving credit facility (under which £350 million was available for drawing) will be permanently retired;
  - additional proceeds of £105.2 million for certain cash balances on the North American balance sheet as at 31 December 2010;
  - estimated transaction expenses relating to the disposal of £20.0 million recorded against cash;
  - as agreed with the Company's pension fund trustees, a deficit reduction payment of £32.5 million will be paid to the UK pension funds on Completion;
  - recognition of a third party net receivable balance of £3.8 million due from the North American Business which was previously presented as a net intercompany balance;
  - the reclassification of £57.9 million of tax provisions to other provisions relating to contractual exposures within the Disposal Agreement; and
  - the net cash receipt of £174.6 million consists of £595.2 million of base consideration and £105.2 million received for certain cash balances held on Taylor Wimpey's North American balance sheet as at 31 December 2010, less the repayment of £473.3 million of bank borrowings, £20.0 million of estimated transactions costs, and a £32.5 million payment to the UK pension schemes.
- The unaudited pro forma statement of net assets does not reflect any changes in the trading position of the Group or any other changes arising from other transactions, other than those outlined in the above notes, since 31 December 2010.

## PART VI

### REPORT ON THE UNAUDITED PRO FORMA STATEMENT OF NET ASSETS

# Deloitte.

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HP12 3NR

J.P. Morgan plc  
125 London Wall  
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EC2Y 5AJ

1 April 2011

Dear Sirs,

#### **Taylor Wimpey plc (the “Company”)**

We report on the pro forma financial information (the “**Pro forma financial information**”) set out in Part V of the Class 1 circular dated 1 April 2011 (the “**Circular**”), which has been prepared on the basis described, for illustrative purposes only, to provide information about how the Disposal might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the period ended 31 December 2010. This report is required by Annex I, item 20.2 of Commission Regulation (EC) No 809/2004 (the “**Prospectus Directive Regulation**”) as applied by paragraph 13.3.3R of the Listing Rules and is given for the purpose of complying with that requirement and for no other purpose.

#### **Responsibilities**

It is the responsibility of the directors of the Company (the “**Directors**”) to prepare the Pro forma financial information in accordance with Annex I, item 20.2 and Annex II, items 1 to 6 of the Prospectus Directive Regulation as applied by paragraph 13.3.3R of the Listing Rules.

It is our responsibility to form an opinion, in accordance with Annex I, item 20.2 of the Prospectus Directive Regulation, as to the proper compilation of the Pro forma financial information and to report that opinion to you in accordance with Annex II, item 7 of the Prospectus Directive Regulation as applied by paragraph 13.3.3R of the Listing Rules.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to Ordinary Shareholders of the Company as a result of the inclusion of this report in the Circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in accordance with this report or our statement, required by and given solely for the purposes of complying with Listing Rule 13.4.1R (6), consenting to its inclusion in the Circular.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma financial information,

nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

### **Basis of Opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the UK. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the Directors.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the UK, including the US, and accordingly should not be relied upon as if it had been carried out in accordance with those standards or practices.

### **Opinion**

In our opinion:

- (a) the Pro forma financial information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Company.

Yours faithfully

Deloitte LLP  
**Chartered Accountants**

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**Member of Deloitte Touche Tohmatsu Limited**

## PART VII

### PRINCIPAL TERMS OF THE DISPOSAL AGREEMENT

The Disposal Agreement was entered into on 30 March 2011 between the Company, Taylor Wimpey 2007 Ltd and Wimpey Overseas Holdings Limited (the “**Sellers**”), and TMM Holdings Limited Partnership (a partnership controlled by certain investment funds affiliated with TPG Capital, certain investment funds affiliated with Oaktree Capital Management L.P. as well as JH Investments Inc.), and its subsidiaries (2279154 Ontario Inc. and Aylesbury Acquisition, Inc.) (the “**Buyers**”) for the sale and purchase of the entire issued share capital of Taylor Wimpey (US) and Taylor Wimpey (Canada). Pursuant to the Disposal Agreement, the Company has agreed to sell all of the shares in Taylor Wimpey (Canada) to 2279154 Ontario Inc., and Taylor Wimpey 2007 Ltd and Wimpey Overseas Holding Limited, both wholly-owned subsidiaries of the Company, have agreed to sell all of the shares in Taylor Wimpey (US) to Aylesbury Acquisition, Inc. Completion is conditional on the passing of the Disposal Resolution by Ordinary Shareholders and the satisfaction or waiver of certain other customary conditions described below.

The principal terms of the Disposal Agreement are set out in this Part VII (Principal Terms of the Disposal Agreement).

#### 1. Consideration

The base consideration for the entire common stock of Taylor Wimpey’s North American Business is USD 955 million (£595 million at the current exchange rate) (pre transaction expenses) payable on Completion. Please see Part IX (Definitions) of this document for further detail on the exchange rate used. The Company will also receive additional proceeds for cash balances in Taylor Wimpey’s North American Business as at 31 December 2010 and net capital invested by the Company in Taylor Wimpey’s North American Business from 1 January 2011 to Completion. In addition, the consideration will be reduced by the amount of certain transaction expenses incurred by Taylor Wimpey’s North American Business and by certain restricted payments if made by Taylor Wimpey’s North American Business from 1 January 2011 to Completion.

The Buyers have also agreed to set off the amount of CAD 502,526,027, plus any unpaid interest, from the consideration payable for Taylor Wimpey (Canada) in return for 2279154 Ontario Inc. assuming, upon Completion, the obligations of the Company under the CAD Loans and the obligations of Taylor Wimpey 2007 Ltd under the CAD 308,446,368 Notes pursuant to the Deed of Novation and the Deed of Substitution respectively (described further in sections 8.1(C) and 8.1(D) of Part VIII (Additional Information) of this document. This settlement of the CAD Loans and the CAD 308,446,368 Notes has no impact on the base consideration.

#### *Escrow Arrangements*

A portion of the consideration to be received by the Sellers (up to USD 303,654,200) may be placed in escrow with an escrow agent subject to receipt of certain certificates from US and Canadian tax authorities indicating no withholding is required pursuant to a US and Canadian escrow agreement respectively (jointly, the “**Escrow Agreements**”).

#### 2. Conditions precedent to Completion

Completion of the Disposal is subject to the satisfaction or waiver by the Sellers and the Buyers of the following customary conditions:

- (i) any waiting period under the U.S. Hart Scott Rodino Act having expired or terminated;
- (ii) approvals under the Canadian Competition Act and the Investment Canada Act having been obtained;
- (iii) no applicable laws prohibiting Completion from taking effect;
- (iv) approval of Ordinary Shareholders of the transactions contemplated by the Disposal Agreement as required by the Listing Rules;
- (v) the Buyers and the Sellers having performed, in all material respects, their obligations under the Disposal Agreement to be performed at or prior to the Completion Date;

- (vi) the representations and warranties of the Buyers and the Sellers being true at and as of Completion, except as would not have a material adverse effect on Taylor Wimpey's North American Business in the case of the representations and warranties of the Sellers, or as would not materially impair the Buyers' ability to complete the Disposal in the case of the representations and warranties given by the Buyers;
- (vii) the receipt of certain specified regulatory consents; and
- (viii) since the Disposal Agreement was signed, the absence of a material adverse effect on Taylor Wimpey's North American Business.

### **3. Joint covenants**

The parties to the Disposal Agreement have agreed that they will, inter alia: (i) use their commercially reasonable best efforts to take all actions and to do all things necessary or desirable under applicable law to complete the Disposal as contemplated by the Disposal Agreement; (ii) co-operate with each other in relation to filings with any governmental or regulatory authority and in obtaining any consents, approvals or waivers required from any parties to certain material contracts in connection with the Disposal; (iii) consult with each other in relation to publicity regarding the Disposal, subject to certain exceptions; (iv) use their commercially reasonable best efforts to cause the release of the guarantee and indemnity obligations of the Company and its affiliates (other than Taylor Wimpey's North American Business) in connection with surety bonds, letters of credit and related facilities (and the Sellers have agreed to use commercially reasonable best efforts to maintain in effect the underlying instruments for the benefit of Taylor Wimpey's North American Business), such covenant to continue for up to two years after Completion (with the Buyers reimbursing the Company for certain related expenses); and (v) co-operate in the reorganisation of the Canadian business. Both the Sellers and the Buyers have also agreed to certain customary information provisions and access obligations.

### **4. Seller specific covenants**

The Sellers have agreed to settle all inter-company accounts between them or their respective affiliates (other than Taylor Wimpey's North American Business) and Taylor Wimpey's North American Business, as of the Completion Date.

The Sellers have also agreed to conduct Taylor Wimpey's North American Business in the ordinary course, to use commercially reasonable efforts to preserve its business and organisation, and to maintain in effect all of its material permits until Completion. In particular, inter alia, the Sellers have agreed that, without the consent of the Buyers (not to be unreasonably withheld), Taylor Wimpey's North American Business, subject to certain baskets and exceptions, shall not pay dividends, issue securities, incur debt, sell material assets or merge with anyone prior to Completion.

In addition, until the two year anniversary of Completion, subject to certain exceptions, the Sellers have agreed not to solicit for employment or employ any employee of Taylor Wimpey's North American Business.

### **5. Company specific covenants**

The Company has agreed to, and to cause Taylor Wimpey's North American Business to, use its commercially reasonable efforts to assist and co-operate with the Buyers through to 15 May 2011 with a view to obtaining financing for the payment of the consideration under, or in connection with the transactions contemplated by, the Disposal Agreement.

The Company has agreed not to, and to cause Taylor Wimpey's North American Business not to, solicit any other proposals for transactions inconsistent with the Disposal. If the Company receives any unsolicited superior proposal, the Company has also agreed to give the Buyers an opportunity to match such superior proposal.

The Company has also agreed to issue letters of credit for: (i) an initial amount of USD 15 million, subject to increase upon certain events, to back-stop any claim against Taylor Wimpey's North American Business for payment of certain tax liabilities; and (ii) an initial amount of CAD 120 million to back-stop letters of credit for the benefit of Taylor Wimpey's North American Business. The Buyers have agreed to indemnify the Company against any draws on the CAD 120 million letter of credit and that, if the net equity of Taylor Wimpey's North American Business is less than CAD 240 million on a consolidated basis, to be tested quarterly, while such letter of credit is in place, then

subject to an opportunity to cure, the Buyers will cash collateralise or otherwise protect the Company's exposure under such letter of credit.

## **6. Buyers specific covenants**

Subject to the satisfaction or waiver of the conditions set out in the Disposal Agreement (as described in section 2 of this Part VII (Principal Terms of the Disposal Agreement)), the Buyers have a contractual obligation to fund the consideration at Completion either by way of debt, or if debt financing cannot be completed by 31 May 2011 and all conditions precedent to Completion are met, by way of equity. To that end, the Buyers have agreed to take all steps necessary to drawdown at Completion, pursuant to the equity commitments given by certain affiliates of the Buyers, sufficient funds to pay the consideration.

The Buyers have also agreed to take commercially reasonable steps to obtain the release of the Company and its affiliates from their guarantee and indemnity obligations in connection with certain surety bonds, letters of credit and related facilities.

## **7. Representations, warranties and indemnities**

Each party to the Disposal Agreement has made certain customary representations and warranties, many of which will be repeated at Completion. The representations and warranties from the Sellers to the Buyers relate to, among other things: corporate existence; power and authorisation of the Sellers, Taylor Wimpey (US) and Taylor Wimpey (Canada); governmental authorisation; capitalisation and ownership of the shares of Taylor Wimpey (US) and Taylor Wimpey (Canada); no conflicts with organisational documents and material agreements; third party consents required prior to Completion; financial information; ordinary course of business conduct; litigation; compliance with laws and court orders; environmental matters; intellectual property; real estate matters, including material impediments to the development of properties and suitability of land for development and housing projects; labour, pension and employee benefits; tax related matters; material contracts; major customers and suppliers; necessary assets; finders' fees; and insurance coverage and permits.

The representations and warranties from the Buyers to the Sellers cover, among other things: corporate existence; power and authorisation; valid authority; governmental authorisation; no conflicts with organisational documents and material agreements; third party consents required prior to the Completion; accredited investor status in Canada; due inspection of Taylor Wimpey's North American Business; financing arrangements; and litigation.

The representations and warranties of the parties to the Disposal Agreement are subject to certain qualifications and limitations. Each representation and warranty (except those relating to environmental matters, which survive for four years, certain representations relating to tax matters, which survive for the applicable statutes of limitation, and those relating to corporate existence, authorisation, ownership of the shares, capitalisation, subsidiaries, joint venture, affiliates and finders' fees, which survive indefinitely) survive for 18 months following Completion.

## **8. Indemnification**

The Company and the Buyers have agreed to indemnify each other for damages, losses and expenses actually suffered from any misrepresentation, breach of representation or warranty, breach of covenant or agreement made or to be performed under the Disposal Agreement (in the case of the Company, by it or the other Sellers).

In relation to claims for indemnification in respect of any damages, losses and expenses caused by a breach of representation or warranty (other than in the case of certain fundamental representations), the indemnifying party is not liable unless: (i) the amount of damages, losses and expenses with respect to a breach exceeds USD 50,000; and (ii) the aggregate amount of indemnifiable damages, losses and expenses exceeds USD 9,850,000, and then only to the extent of such excess. The maximum liability for all such breaches may not exceed USD 49,252,000.

In addition, the Company has agreed to indemnify the Buyers for losses relating to the matters described in sections 9.2(i), (ii) and (iv) of Part VIII (Additional Information) of this document in excess of net reserves of the Company for such matters as at 31 December 2010, subject to certain loss-sharing arrangements with the Buyers that effectively cap the Company's potential liability at USD 64.5 million, except to the extent that such losses also relate to a breach of any representations and warranties or covenants.

The Buyers have agreed to indemnify the Company for any draws against the letters of credit and other guarantees maintained by the Company for the benefit of Taylor Wimpey's North American Business.

The indemnifying party will not be liable for any: (i) damages, losses or expenses for which a specific liability or reserve has been made on the balance sheet as at 31 December 2010; or (ii) subject to certain exceptions, consequential or punitive damages or damages for lost profits.

## **9. Termination**

The Disposal Agreement may be terminated at any time prior to Completion: (i) by written agreement between the Buyers and the Company; (ii) by either the Buyers or the Company if Completion has not occurred on or before 30 September 2011; (iii) by either the Company or the Buyers if execution of the Disposal Agreement would violate any non-appealable final order, decree or judgment of any governmental or regulatory authority with competent jurisdiction; (iv) by either the Buyers or the Company if shareholder approval is not obtained at the General Meeting; (v) by the Buyers in the case of a material breach of the Disposal Agreement by the Sellers which would result in a condition to Completion not being met; (vi) by the Company in the case of a material breach of the Disposal Agreement by the Buyers which would result in a condition to Completion not being met; and (vii) by the Buyers if the Board changes its recommendation that shareholders approve the Disposal.

If the Disposal Agreement is terminated because: (i) of a change in recommendation by the Board, (ii) shareholders do not approve the Disposal at the General Meeting, or (iii) Completion has not occurred on or before 30 September 2011 and shareholder approval has not been obtained by then, the Company has agreed to pay to the Buyers an expense reimbursement fee of USD 21.3 million, which is equivalent to one per cent. of the Company's market capitalisation as at the time of signing the Disposal Agreement and intended to compensate the Buyers for expenses incurred in connection with the proposed transaction.

## **10. Governing law**

The Disposal Agreement is governed by the laws of the State of Delaware, US.

## **11. Ancillary Agreements**

The Sellers and the Buyers will enter into the Escrow Agreements (described above), a Deed of Novation (described in section 8.1(C) of Part VIII (Additional Information) of this document) and a Deed of Substitution (described in section 8.1(D) of Part VIII (Additional Information) of this document) at Completion.

## PART VIII

### ADDITIONAL INFORMATION

#### 1. Responsibility Statement

The Directors of the Company, whose names appear in section 3 of this Part VIII (Additional Information), accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

#### 2. The Company and the Directors

The Company was incorporated and registered in England and Wales as a private company limited by shares on 1 February 1935 (registered number 00296805) with the name Taylor Woodrow Estates Limited. On 16 October 1943, the Company's name was changed to Taylor Woodrow Limited. On 23 December 1981, the Company was re-registered as a public company limited by shares and its name was changed to Taylor Woodrow plc. On 3 July 2007, Taylor Woodrow plc and George Wimpey Plc merged their operations into Taylor Woodrow plc, which on that date, changed its name to Taylor Wimpey plc (the Company). Pursuant to the Merger, Taylor Woodrow plc acquired the entire issued share capital of George Wimpey Plc for a total consideration of £2,093.9 million. The principal legislation under which the Company operates are the Companies Act and regulations made thereunder. The legal and commercial name of the Company is Taylor Wimpey plc.

The Company is domiciled in the UK with its registered office and principal place of business at Gate House, Turnpike Road, High Wycombe, Buckinghamshire HP12 3NR. The business address of each of the Directors is Gate House, Turnpike Road, High Wycombe, Buckinghamshire HP12 3NR. The telephone number of the Company's registered office is +44(0) 1494 558 323.

#### 3. Interests of Directors and senior managers

As at 31 March 2011 (being the latest practicable date prior to the publication of this document), the interests of each Director and senior manager, their immediate families and related trusts, and, insofar as is known to them or could with reasonable diligence be ascertained by them, persons connected (within the meaning of Sections 252-255 of the Companies Act 2006) with the Director or senior manager (all of which, unless otherwise stated, are beneficial) in the share capital of the Company, including interests arising pursuant to any transaction notified to the Company pursuant to rule 3.1.2 of the Disclosure Rules made by the FSA pursuant to FSMA, are as follows:

Name of Director	Title	Number of Ordinary Shares	Percentage of issued Ordinary Shares
Kevin Beeston	Chairman	905,562	0.028
Peter Redfern	Group Chief Executive	548,427	0.017
Ryan Mangold	Group Finance Director	28,510	0.001
Sheryl Palmer	President and Chief Executive Officer of North America	456,229	0.014
Baroness Dean of Thornton-le-Fylde	Independent Non-Executive Director	33,065	0.001
Andrew Dougal	Independent Non-Executive Director	15,000	0.001
Katherine Innes Ker	Independent Non-Executive Director	12,000	0.001
Anthony Reading MBE	Independent Non-Executive Director	300,000	0.009
Robert Rowley	Independent Non-Executive Director	200,000	0.006

Name of senior manager	Title	Number of Ordinary Shares	Percentage of issued Ordinary Shares
James Jordan	Company Secretary and General Counsel	78,218	0.002
Peter Andrew	Land and Planning Director, Initial Guarantor	101,646	0.003
Fergus McConnell	Divisional Chairman (North), Initial Guarantor	369,384	0.012
Peter Truscott	Divisional Chairman (South), Initial Guarantor	155,534	0.005
Lou Steffens	President, East Region	700,000	0.02
Steve Wethor	Chief Financial Officer and President, West Region	600,000	0.019
Brian Johnston	President, Canada	14,770	0.001
Katy Owen	Vice-President Human Resources	40,000	0.001
Graham Hughes	Vice-President Sales and Marketing	16,275	0.001
Tawn Kelley	President Taylor Morrison Home Funding	100,000	0.003

Executive Directors and senior managers have options and share interests which enable them to subscribe for Ordinary Shares under the Company's Executive Bonus Plan ("BP"), Performance Share Plan ("PSP"), Savings-Related Share Option Plan ("Sharesave Plan") and Share Option Plan ("SOP"). Details of these options and interests as at 31 March 2011 (being the latest practicable date prior to the publication of this document) are shown below:

Name of Executive Director or Senior Manager	Plan	Date of grant	Exercise price (pence)	Exercisable from	Expiry	Number of Ordinary Shares under option
<b>Peter Redfern</b>	BP	13.03.08	—	31.03.11	31.03.11	305,345
	BP	22.03.10	—	31.12.12	31.12.12	497,284
	PSP	17.04.08	—	17.04.11	17.04.11	637,902
	PSP	07.08.09	—	01.01.13	01.01.13	1,601,423
	PSP	22.03.10	—	22.03.13	22.03.13	1,574,606
	PSP	06.08.10	—	06.08.13	06.08.13	2,012,779
	SOP	28.04.08	93.49	28.04.11	28.04.18	1,497,345
	SOP	07.08.09	39.34	07.08.12	07.08.19	3,202,846
<b>Ryan Mangold</b>	Sharesave Plan	06.10.10	22.88	01.12.13	31.05.14	39,335
	PSP	07.08.09	—	01.01.13	01.01.13	190,645
	PSP	22.03.10	—	22.03.13	22.03.13	171,238
	PSP	06.08.10	—	06.08.13	06.08.13	218,889
	SOP	07.08.09	39.34	07.08.12	07.08.19	381,291
<b>Sheryl Palmer</b>	PSP	17.04.08	—	17.04.11	17.04.11	140,280
	PSP	07.08.09	—	01.01.13	01.01.13	416,508
	PSP	22.03.10	—	22.03.13	22.03.13	454,499
	PSP	06.08.10	—	06.08.13	06.08.13	580,974
	SOP	28.04.08	93.49	28.04.11	28.04.18	329,278
	SOP	07.08.09	39.34	07.08.12	07.08.19	833,016
<b>James Jordan</b>	BP	13.03.08	—	31.03.11	31.03.11	146,794
	BP	22.03.10	—	31.12.12	31.12.12	230,882
	PSP	17.04.08	—	17.04.11	17.04.11	222,126
	PSP	07.08.09	—	01.01.13	01.01.13	557,638
	PSP	22.03.10	—	22.03.13	22.03.13	548,300
	PSP	06.08.10	—	06.08.13	06.08.13	700,878
	SOP	28.04.08	93.49	28.04.11	28.04.18	521,397
	SOP	07.08.09	39.34	07.08.12	07.08.19	1,115,277
	Sharesave Plan	17.10.08	25.52	01.12.11	31.05.12	37,614

<b>Name of Executive Director or Senior Manager</b>	<b>Plan</b>	<b>Date of grant</b>	<b>Exercise price (pence)</b>	<b>Exercisable from</b>	<b>Expiry</b>	<b>Number of Ordinary Shares under option</b>
<b>Peter Andrew</b>	BP	13.03.08	—	31.03.11	31.03.11	20,580
	PSP	17.04.08	—	17.04.11	17.04.11	75,179
	PSP	07.08.09	—	01.01.13	01.01.13	188,739
	PSP	22.03.10	—	22.03.13	22.03.13	188,362
	PSP	06.08.10	—	06.08.13	06.08.13	240,778
	SOP	28.04.08	93.49	28.04.11	28.04.18	176,472
	SOP	07.08.09	39.34	07.08.12	07.08.19	377,478
	Sharesave Plan	21.10.05	177.15	01.12.10	31.05.11	2,180
	Sharesave Plan	15.10.08	25.52	01.12.13	31.05.14	34,127
	Sharesave Plan	02.10.09	39.20	01.12.14	31.05.15	9,520
Sharesave Plan	06.10.10	22.88	01.12.15	31.05.16	16,206	
<b>Fergus McConnell</b>	BP	13.03.08	—	31.03.11	31.03.11	113,721
	PSP	17.04.08	—	17.04.11	17.04.11	91,128
	PSP	07.08.09	—	01.01.13	01.01.13	263,091
	PSP	22.03.10	—	22.03.13	22.03.13	262,565
	PSP	06.08.10	—	06.08.13	06.08.13	335,630
	SOP	28.04.08	93.49	28.04.11	28.04.18	213,907
	SOP	07.08.09	39.34	07.08.12	07.08.19	526,182
	Sharesave Plan	15.10.08	25.52	01.12.13	31.05.14	65,630
<b>Peter Truscott</b>	BP	13.03.08	—	13.03.11	31.03.11	134,257
	PSP	17.04.08	—	17.04.11	17.04.11	102,518
	PSP	07.08.09	—	01.01.13	01.01.13	285,968
	PSP	22.03.10	—	22.03.13	22.03.13	285,397
	PSP	06.08.10	—	06.08.13	06.08.13	364,816
	SOP	28.04.08	93.49	28.04.11	28.04.18	240,644
	SOP	07.08.09	39.34	07.08.12	07.08.19	571,936
<b>Steve Wethor</b>	PSP	17.04.08	—	17.04.11	17.04.11	33,073
	SOP	28.04.08	93.49	28.04.11	28.04.18	77,624
<b>Louis Steffens</b>	PSP	17.04.08	—	17.04.11	17.04.11	48,469
	SOP	28.04.08	93.49	28.04.11	28.04.18	113,775
<b>Brian Johnston</b>	PSP	17.04.08	—	17.04.11	17.04.11	48,085
	SOP	28.04.08	93.49	17.04.11	17.04.18	112,875
<b>Erik Heuser</b>	PSP	17.04.08	—	17.04.11	17.04.11	21,098
	SOP	28.04.08	93.49	17.04.11	17.04.18	49,525
<b>Bob Witte</b>	PSP	17.04.08	—	17.04.11	17.04.11	24,546
	SOP	28.04.08	93.49	17.04.11	17.04.18	57,623
<b>Katy Owen</b>	PSP	17.04.08	—	17.04.11	17.04.11	28,510
	SOP	28.04.08	93.49	17.04.11	17.04.18	66,926
<b>Graham Hughes</b>	PSP	17.04.08	—	17.04.11	17.04.11	31,134
	SOP	28.04.08	93.49	17.04.11	17.04.18	73,083

Save as disclosed in this section 3 of this Part VIII (Additional Information), none of the Directors nor any of the senior managers has any interest, beneficial or non-beneficial, in the share capital of the Company or any of its subsidiaries.

#### 4. Directors' service contracts

##### *Chairman and Non-Executive Directors*

The Chairman and the following Non-Executive Directors have or will have letters of appointment with the Company on the following terms:

Name	Date of appointment (or where relevant, proposed appointment) or (if later) re-appointment to the Board	Date of initial or proposed letter of appointment	Term of appointment	Notice period from Company (months)	Notice period from Director (months)
Kevin Beeston	1 July 2010	13 May 2010	3 years, reviewed annually	6	6
Baroness Dean of Thornton-le-Fylde	3 July 2007	21 November 2007	3 years, reviewed annually	6	6
Andrew Dougal <sup>1</sup>	18 November 2002	31 October 2002	3 years, reviewed annually	6	6
Katherine Innes Ker <sup>2</sup>	1 July 2001	21 May 2001	3 years, reviewed annually	6	6
Anthony Reading MBE	3 July 2007	21 November 2007	3 years, reviewed annually	6	6
Robert Rowley	1 January 2010	1 December 2009	3 years, reviewed annually	6	6

1. Andrew Dougal will retire as a Director of the Company immediately prior to the Company's annual general meeting to be held on 21 April 2011.
2. Katherine Innes Ker will retire as a Director of the Company immediately prior to the Company's annual general meeting to be held on 21 April 2011.

Kate Barker CBE is proposed to be appointed as an independent non-executive director of the Company with effect from 21 April 2011. If appointed, her letter of appointment with the Company will be on similar terms to the letters of appointment of the current Non-Executive Directors (as described above).

Further details of the terms of appointment of the Non-Executive Directors and their letters of appointment are included in the Report of the Remuneration Committee in the Company's 2010 Annual Report and Accounts.

##### *Executive Directors*

It is the Company's policy that Executive Directors should have service contracts providing for a maximum of one year's notice. None of the Executive Directors have service contracts for a fixed term.

Details of Executive Directors' service contracts are summarised in the table below:

Name	Date of Contract	Unexpired term (months)	Notice period from Company (months)	Notice period from Director (months)	Normal contractual retirement age	Current Age
Peter Redfern	13 October 2004	12	12	12	60	40
Ryan Mangold	16 November 2010	12	12	12	65	39
Sheryl Palmer*	4 August 2009	12	12	12	65	49

\* Conditional on Completion of the Disposal, it is intended that Sheryl Palmer will retire as a Director of the Company with effect from the Completion Date.

All service contracts contain non-compete obligations during a Director's service with the Company.

It is the Company's policy that liquidated damages should not automatically apply on the termination of an Executive Director's service contract. In accordance with this approach, payment for early termination of contract (without cause) by the Company is, in the case of each of the Executive Directors, to be determined having regard to normal principles of English law, which requires mitigation of liability on a case-by-case basis. Any such payment would typically be determined by reference to the main elements of an Executive Director's remuneration, namely, salary, bonus entitlement, benefits-in-kind and pension entitlements. Treatment of awards under any long-term incentive plan would be subject to the rules of the applicable plan, which would be compliant with guidelines issued by institutional shareholder bodies with regard to their treatment in the event of a change of control. Since the Merger, the Company has re-confirmed its policy that service contracts for Executive Directors who join the Board will not contain any change of control provisions.

The Executive Directors also receive additional benefits including a Company provided car or an allowance in lieu, life assurance and private medical insurance. Benefits-in-kind are not pensionable.

## 5. Details of key individuals for Taylor Wimpey's North American Business

Sheryl Palmer, President and Chief Executive Officer, is deemed by the Company to be key to the operations of Taylor Wimpey's North American Business. Conditional on Completion of the Disposal, it is intended that Sheryl Palmer will stand down as a Director of the Company with effect from the Completion Date.

## 6. Major interests in Ordinary Shares

Set out in the table below are the names of those persons, other than the Directors, who, so far as the Company is aware, are interested, directly or indirectly, in three per cent. or more of the Company's total voting rights and capital in issue as at 31 March 2011 (being the latest practicable date prior to the publication of this document).

Name	Number of Ordinary Shares	Approximate percentage of the voting rights attached to the issued share capital as at 31 March 2011
Schroder Investment Management Limited and Schroders plc	448,382,791	14.024
BlackRock, Inc	313,623,719	9.81
J.P. Morgan Asset Management Holdings Inc.	159,636,611	4.99
Legal & General Group Plc	127,156,865	3.97
Ignis Asset Management Limited	97,501,598	3.05
Standard Life Investments Limited	96,392,814	3.02

The Company is not aware of any person who exercises, or could exercise, directly or indirectly, jointly or severally, control over the Company.

## 7. Related party transactions

Save as disclosed in notes 36, 32 and 31 of the audited consolidated financial statements of the Company as of and for each of the twelve months ended 31 December 2008, 2009 and 2010 respectively, and as summarised below, no member of the Group entered into related party transactions (which for these purposes are those set out in the standards adopted according to the Regulation (EC) No 1606/2002) with any related party during the period between 31 December 2008 and 31 March 2011 (the latest practicable date prior to the publication of this document).

Group companies have purchased £22.8 million of land from joint ventures, which are related parties, in the year to 31 December 2010 (2009: £26.1 million) and £3.0 million of land from these same joint ventures during the period from 31 December 2010 to 31 March 2011 (the latest practicable date prior to the publication of this document). Such purchases were based on open market values and in the ordinary course of housing business.

## 8. Material contracts

### 8.1 The Continuing Group

No contracts have been entered into (other than contracts entered into in the ordinary course of business) by any member of the Continuing Group either: (i) within the period of two years immediately preceding the date of this document, which are or may be material to the Continuing Group; or (ii) at any time, which contain any provisions under which any member of the Continuing Group (as relevant) has any obligation or entitlement which is, or may be, material to the Continuing Group (as relevant) as at the date of this document, save as disclosed below:

#### (A) Disposal Agreement

A summary of the material terms of the Disposal Agreement is set out in Part VII (Principal Terms of the Disposal Agreement) of this document.

**(B) Escrow Agreements**

A summary of the material terms of the “Escrow Agreements” is set out in Section 1 of Part VII (Principal Terms of the Disposal Agreement) of this document.

**(C) Deed of Novation**

In connection with the Disposal, and ancillary to the terms of the Disposal Agreement, the Company, Taylor Wimpey (BVI) and 2279154 Ontario Inc. will upon Completion enter into a deed of novation (“**Deed of Novation**”) by which 2279154 Ontario Inc. will undertake to perform the CAD Loans and be bound by their terms in place of the Company, which will be released and discharged from all of its obligations under the CAD Loans. In consideration for 2279154 Ontario Inc. assuming the obligations and liabilities of the Company under the CAD Loans, the Company will pay to 2279154 Ontario Inc. CAD 194,079,659, being an amount equal to the total principal amount outstanding under the CAD Loans, plus any unpaid interest. This payment by the Company will be set off against its entitlement to the payment to it by 2279154 Ontario Inc. of total consideration for the stock held by the Company in Taylor Wimpey (Canada) under the terms of the Disposal Agreement. The Deed of Novation will be governed by the laws of England and the courts of England shall have exclusive jurisdiction over any dispute in connection with it.

**(D) Deed of Substitution**

In connection with the Disposal, and ancillary to the terms of the Disposal Agreement, the Company, Taylor Wimpey 2007 Ltd, Taylor Wimpey (BVI) and 2279154 Ontario Inc. will upon Completion enter into a deed of substitution (“**Deed of Substitution**”) by which 2279154 Ontario Inc. will be substituted in place of Taylor Wimpey 2007 Ltd under the CAD 308,446,368 Notes. 2279154 Ontario Inc. will undertake to perform and be bound by the terms of the CAD 308,446,368 Notes in the place of Taylor Wimpey 2007 Ltd as if it had been the original obligor and debtor. Taylor Wimpey 2007 Ltd will be released from all its obligations and liabilities under the CAD 308,446,368 Notes. In consideration for 2279154 Ontario Inc. assuming the obligations and liabilities of Taylor Wimpey 2007 Ltd under the CAD 308,446,368 Notes, the Company will pay to 2279154 Ontario Inc. CAD 308,446,368, being an amount equal to the total principal amount outstanding under the CAD 308,446,368 Notes, plus any unpaid interest. This payment by the Company will be set off against its entitlement to the payment to it by 2279154 Ontario Inc. of total consideration for the stock held by the Company in Taylor Wimpey (Canada) under the terms of the Disposal Agreement. The Deed of Substitution will be governed by the laws of England and the courts of England shall have exclusive jurisdiction over any dispute in connection with it.

**(E) Notes**

The Company issued 10.375 per cent. senior notes due 2015 in accordance with an offering circular dated 26 November 2010. The Notes were issued on 2 December 2010 (the “**Issue Date**”). The Notes were admitted to the Official List and to trading on the London Stock Exchange.

The Notes bear interest at a rate of 10.375 per cent. per annum payable semi-annually in arrear in equal instalments on 30 June and 31 December in each year, commencing on 30 June 2011. Interest on the Notes accrues from the Issue Date.

The Notes were unconditionally guaranteed by the Initial Guarantor under a standalone guarantee. The standalone guarantee guaranteed the Company’s obligations under the Notes less all amounts recovered or entitled to be recovered in the future by HSBC Corporate Trustee Company (UK) Limited (the “**Trustee**”) and the Noteholders from any member of the Group (including from the Company or the Initial Guarantor) taking into account actual recoveries and the probability of receipt and the likely quantum in respect of contingent and/or prospective recoveries and including, without limitation, any distributions or dividends received or to be received in any administration, liquidation or other insolvency process.

Prior to 31 December 2013 and on or after 31 December 2013, the Company will be entitled at its option on one or more occasions to redeem all or a portion of the Notes at various redemption prices as set out in the offering circular.

Upon the occurrence of certain change of control events, the Noteholders will have the right to require the Company to repurchase all or any part of the Notes (subject to exceptions) at a purchase price equal to 101 per cent. of their aggregate principal amount, plus accrued and unpaid interest. In addition, certain events permit the Notes to become immediately due and payable at their principal amount, together with accrued interest.

The conditions of the Notes limit, among other things, the Company's and certain subsidiaries' ability to: (i) incur or guarantee additional indebtedness and issue certain preference shares; (ii) pay dividends on, redeem or repurchase our capital stock; (iii) make certain restricted payments and investments; (iv) create or incur certain liens; (v) transfer or sell certain assets; (vi) merge or consolidate with other entities; (vii) enter into certain transactions with affiliates; and (viii) guarantee certain types of indebtedness of the Issuer and its restricted subsidiaries without also guaranteeing the Notes.

#### **(F) Bank Facilities**

The Bank Facilities were agreed between the Company, Lloyds TSB Bank plc as facility agent and various lenders on 16 November 2010 with the aim of providing the Company with syndicated revolving credit facilities. The details of the facilities are as follows:

##### *(i) The Bank Facilities*

The Bank Facilities consist of a Facility A, £350,000,000 revolving facility which matures on 3 July 2012 and a Facility B, £600,000,000 revolving facility which matures on 16 November 2014. The Bank Facilities are for general corporate purposes. However, neither Facility A nor Facility B can be used to redeem or repay any debt capital markets issue.

##### *(ii) Repayments and Prepayments*

Facility A must be repaid on 3 July 2012 and Facility B must be repaid on 16 November 2014. A lender can require the Company to cancel and repay its commitments if there is a change of control of the Company. The Company also has an obligation to apply certain of the proceeds in repayment and cancellation of Facility A in the event of the Completion of the Disposal or the disposal of any Spanish businesses.

##### *(iii) Interest and fees*

The rate of interest payable for an interest period is LIBOR for the relevant period plus a margin which varies according to the Company's gearing level. The Company is also required to pay a commitment fee on available but unused commitments under the facilities agreement.

##### *(iv) Guarantee and Security*

The Company is the original borrower under the Bank Facilities. The Bank Facilities are guaranteed by the Initial Guarantor; this guarantee is on substantially the same terms as the guarantee given by the Initial Guarantor in respect of the Notes and is therefore limited to the amount of the lenders' shortfall in respect of actual and prospective recoveries from other Group members. The Bank Facilities are unsecured and do not benefit from a lien over any of the property of the Company or any other Group member.

##### *(v) Representations and covenants*

The Bank Facilities agreement contains customary representations and operating and negative covenants, including a negative pledge and a restriction on guarantees, each subject to certain exceptions. Under the Bank Facilities agreement, the Company is also subject to various financial covenants.

##### *(vi) Events of Default*

The Bank Facilities agreement contains customary events of default.

There are also some standalone guarantees: (i) a standalone guarantee dated 18 November 2010 between the Initial Guarantor and the Company in relation to the Bank Facilities (described in this section); (ii) a standalone guarantee dated on or about 2 December 2010 in relation to the Notes (described in section (E) above) between the Initial Guarantor and the Company; and (iii) a standalone guarantee dated 24 November 2010 in respect of certain of the Company's obligations to the TWGP&LAF made between the Company and TWGP&LAF.

#### **(G) Fund Facility**

The Fund Facility consists of a £100,000,000 term credit facility which matures on 30 June 2015. The Fund Facility is to be used for general corporate purposes.

##### *(i) Repayments and Prepayments*

The Fund Facility must be repaid on its maturity as described above. The lender can require the Company to cancel and repay its commitments if there is a change of control of the Company.

##### *(ii) Interest and fees*

The rate of interest payable for an interest period is LIBOR for the relevant period plus a margin, which reduces following Completion of the Disposal provided that the Company applies the proceeds of the Disposal in accordance with the Bank Facilities.

##### *(iii) Guarantee and Security*

The Company is the borrower under the Fund Facility. The Fund Facility is guaranteed by the Initial Guarantor; this guarantee is on substantially the same terms as the guarantee given by the Initial Guarantor in respect of the Notes and is therefore limited to the amount of the lender's shortfall in actual and prospective recoveries from other Group members. The Fund Facility is unsecured and does not benefit from a lien over any of the property of the Company or any other Group member.

##### *(iv) Representations and covenants*

The Fund Facility contains customary representations and operating and negative covenants, including a negative pledge and a restriction on guarantees, subject to certain exceptions and on substantially the same terms as the equivalent provisions in the Bank Facilities agreement.

Under the Fund Facility, the Company is also be subject to financial covenants on substantially the same terms as those as set out in the Bank Facilities agreement (as described in section (F) above).

##### *(v) Events of Default*

The Fund Facility contains customary events of default on substantially the same terms as those as set out in the Bank Facilities agreement.

#### **(H) Pension Agreements**

##### *(i) Deeds of covenant*

A deed of covenant was entered into on 6 April 2009 between the Company and TWD in relation to the TWGP&LAF and another deed of covenant was entered into on 7 April 2009 between the Company, the guarantor, GWL and the trustee of the GWSPS in relation to the GWSPS.

##### *(ii) Guarantees*

(a) under a deed dated 13 August 2008, the Company guaranteed to the trustee of the TWGP&LAF the payment by certain current and former employers of their obligations to the TWGP&LAF. The Company's liability under the guarantee is subject to a cap based on the amount required to ensure the TWGP&LAF is 105 per cent. funded on the greater of: (i) the basis set out in section 179 of the Pensions Act 2004 and (ii) a basis using the methods and assumptions adopted in the TWGP&LAF's most recent actuarial valuation. The cap is calculated at the date on which liability under the guarantee arises. The guarantee is in

“pension protection fund” format and, as such, includes restrictions on it being cancelled or amended and restrictions on the guarantor claiming any payment from the current and former employers whose obligations are guaranteed until all amounts owed by them to the TWGP&LAF have been paid;

- (b) under a deed dated 30 March 2006, GWL guaranteed to the trustees of the GWSPS the payment by the guarantor of its obligations to the GWSPS. GWL’s liability under the guarantee is subject to a cap based on the amount required to ensure the GWSPS is 105 per cent. funded on the basis set out in section 179 of the Pensions Act 2004. The cap is calculated at the date on which liability under the guarantee arises. The guarantee is in “pension protection fund” format and, as such, includes restrictions on it being cancelled or amended and restrictions on the guarantor claiming any payment from the guarantor until all amounts owed by the guarantor to the GWSPS have been paid; and
- (c) under a deed dated 3 July 2008, the Company guaranteed to the trustees of the GWSPS the payment by the guarantor of its obligations to the GWSPS. The Company’s liability under the guarantee is subject to a cap based on the amount required to ensure the GWSPS is 105 per cent. funded on the greater of (i) the basis set out in section 179 of the Pensions Act 2004 and (ii) a basis using the methods and assumptions adopted in the GWSPS’ most recent actuarial valuation. The cap is reduced by any amount paid under the GWL guarantee (see previous paragraph). The cap is calculated at the date on which liability under the guarantee arises. The guarantee is in “pension protection fund” format and, as such, includes restrictions on it being cancelled or amended and restrictions on the guarantor claiming any payment from the guarantor until all amounts owed by the guarantor to the GWSPS have been paid.

**(I) Memoranda of understanding**

Two memoranda of understanding were entered into on 19 November 2010: (i) between the Company and the trustee of the TWGP&LAF and (ii) between the Company and the trustees of the GWSPS, details of which are set out below:

- (i) pursuant to the memorandum in respect of the TWGP&LAF, the trustee of the TWGP&LAF has agreed to provide its consent to the provision of certain guarantees by the Initial Guarantor (including the guarantee in respect of the Notes) and the Company has agreed to make various contributions, including in the event of Completion of the Disposal, it will contribute a sum equal to 5 per cent. of the gross proceeds (net of cash sold) to the TWGP&LAF, subject to a cap of £16.25 million in relation to all such disposals and a cap of £3.75 million in relation to any disposal of Taylor Wimpey (Canada) if that disposal occurs before a disposal of Taylor Wimpey (US). In addition, the Company and the trustee agreed to enter into a new deed of covenant in replacement of the deed of covenant in relation to the TWGP&LAF described above; and
- (ii) pursuant to a memorandum in respect of the GWSPS, the trustees of the GWSPS have agreed to provide their consent to the provision of certain guarantees by the Initial Guarantor (including the guarantee in respect of the Notes) and the Company has agreed to make various contributions including in the event of Completion of the Disposal, it will contribute a sum equal to 5 per cent. of the gross proceeds (net of cash sold) to the GWSPS, subject to a cap of £16.25 million in relation to all such disposals and a cap of £3.75 million in relation to any disposal of Taylor Wimpey (Canada) if that disposal occurs before a disposal of Taylor Wimpey (US). In addition, the Company and the trustees have agreed to enter into a new deed of covenant in replacement of the deed of covenant in relation to the GWSPS described above.

**(J) Trust Deed**

A trust deed between the Company, the Initial Guarantor and the Trustee (the “**Trust Deed**”) was entered into on 2 December 2010, constituting the Notes and appointing the Trustee to act as trustee and under which such fees in respect of the services of the trustee as shall be agreed between the Company and the trustee are to be paid.

**(K) Agency Agreement**

An agency agreement between the Company, the Initial Guarantor, HSBC Bank plc, the Company’s Registrar and the Trustee was entered into on 2 December 2010, setting out, inter alia, the terms of appointment and duties of HSBC Bank plc in its capacity as principal paying agent and under which such fees in respect of the services of the agents as shall be agreed between them and the Company are to be paid.

**(L) Share Warrant Instrument**

In April 2009, in connection with the refinancing of the Group, the Company executed the Share Warrant Instrument and created 57,914,788 Warrants in favour of various lenders, and note and bond holders. Prior to being exercised, the Warrants are transferable.

The Share Warrant Instrument provides that the Warrants will lapse and will cease to be exercisable on the day immediately preceding the date five years from the date of the issue of the Warrants. The Share Warrant Instrument contains provisions customary for an instrument of this nature concerning protection of the holders of the Warrants.

Under the initial terms of issue, the Warrants were exercisable in cash at a price of 25 pence for each Ordinary Share to convert into a total of 57,914,788 Ordinary Shares (adjusted, as appropriate, pursuant to certain anti-dilution provisions) representing, at the time of their grant, approximately 5 per cent. of the Company’s issued ordinary share capital. Following the Company’s placing and open offer, the price at which the Warrants are exercisable was adjusted to 17.4473 pence. 1,257,115 Warrants have been exercised as at the latest practicable date prior to publication of this document, leaving 56,657,673 Warrants still outstanding.

**8.2 Taylor Wimpey’s North American Business**

No contracts have been entered into (other than contracts entered into in the ordinary course of business) by any member of Taylor Wimpey’s North American Business either: (i) within the period of two years immediately preceding the date of this document, which are or may be material to Taylor Wimpey’s North American Business; or (ii) at any time, which contain any provisions under which any member of Taylor Wimpey’s North American Business (as relevant) has any obligation or entitlement which is, or may be, material to Taylor Wimpey’s North American Business (as relevant) as at the date of this document.

**9. Material legal and arbitration proceedings**

**9.1 The Continuing Group**

There are no, nor have there been any, governmental, legal or arbitration proceedings (nor is the Company aware of any such proceedings being pending or threatened by or against any member of the Continuing Group) which may have, or during the last twelve months prior to the date of this document have had, a significant effect on the financial position or profitability of the Continuing Group.

**9.2 Taylor Wimpey’s North American Business**

There are no, nor have there been any, governmental, legal or arbitration proceedings (nor is the Company aware of any such proceedings being pending or threatened by or against Taylor Wimpey’s North American Business) which may have, or during the last twelve months prior to the date of this document have had, a significant effect on Taylor Wimpey’s North American Business’ financial position or profitability, save as disclosed below:

*(i) Chinese Drywall*

Taylor Woodrow Communities at Vasari, LLC and Taylor Morrison Services Inc. (the “**TWCTMS Companies**”) have confirmed the presence of defective Chinese-made drywall in several of their residential communities, primarily in West Florida, which were generally

delivered between 2005 and 2008, although one home with defective Chinese drywall was delivered in 2001. In early 2009, the TWCTMS Companies learned that Chinese drywall used in construction was ‘off-gassing’ sulphur compounds that were causing corrosion of soft metal components. Some residents complained of allergic-type reactions arising from exposure to such compounds. The TWCTMS Companies are continuing their investigation of homes to determine whether there are additional homes, not yet inspected, with defective Chinese-made drywall. If the inspection identifies more homes with defective Chinese-made drywall than currently known, the TWCTMS Companies may be required to increase their warranty reserve in the future. The US Consumer Products Safety Commission has made inquiries of the TWCTMS Companies regarding their response to homes containing defective Chinese drywall and the TWCTMS Companies have responded. Multiple homeowners have sued the TWCTMS Companies for alleged damages incurred from defective drywall, many of which have been settled. All homeowner cases have been consolidated in the Chinese drywall MDL action in the Federal District Court in New Orleans, LA. The TWCTMS Companies have filed actions against and are seeking reimbursement from certain of their subcontractors, suppliers, insurers and manufacturers for the costs that they have incurred in investigating and repairing homes with defective Chinese-made drywall. The TWCTMS Companies are currently negotiating a settlement agreement with one of the manufacturers of the defective Chinese drywall which, if agreed, would cover a portion of their damages. The TWCTMS Companies’ reserves for Chinese drywall repairs, claims and litigation cover known and reported claims only. Settlement agreements with homeowners specifically exclude personal injury claims and there are no Chinese drywall reserves for personal injury claims.

(ii) *Vista Lakes*

Between 2000 and 2007, Morrison Homes, Inc. acquired lots and constructed homes on 316 lots in a master planned community known as Vista Lakes near Orlando, Florida. Of these lots, 55 are directly adjacent to a former defence site used as a World War II bombing range. At the time of the purchase of the 316 finished lots from Terrabrook, a Newland Communities subsidiary, and at the subsequent sale of homes to certain homeowners, Morrison Homes, Inc. was unaware of the use of the adjacent property as a formerly used defence site. At the time Morrison Homes, Inc. learned of the former defence site, only two inventory homes remained in the Vista Lakes Community and Morrison Homes, Inc. disclosed the existence of the former defence site to the purchasers of those homes.

In 2007 and 2008, the US Army Corps of Engineers conducted an investigation in portions of the Vista Lakes Master Plan to determine the existence of munitions within the Vista Lakes community. Two inert World War II practice bombs were found on lots owned by an unrelated party but near to the 55 lots sold to homeowners by Morrison Homes, Inc. No munitions were found on any of the 55 lots inspected by the US Army Corp of Engineers, although the methodology for the investigation did not include analysis of potential munitions beneath the slabs or flatwork (sidewalks, driveways, patios) of existing homes.

In 2007 and 2008, homeowners filed two lawsuits against Morrison Homes, Inc. for failure to disclose the former use of the adjacent property, seeking rescission of the purchase of their homes, loss of value and other damages, including attorney fees and interest. One suit is a consolidated action with 97 homeowners. The other lawsuit by two homeowners seeks class action certification and was amended in 2009 to also name Taylor Morrison Home Funding, LLC as a defendant. There is no available insurance to cover the claims and the North American group is defending the lawsuits. The reserves for Vista Lakes cover known and reported claims only.

(iii) *Rosa*

Rosa is a certified class action against Morrison Homes, Inc. covering 437 single family units in Central California alleging concealment, misrepresentation and various construction defects related primarily to the construction of the foundations of these units. The class action settled near the end of the trial in July 2010. Sixteen class representatives received monetary compensation but all other class members are required to actually repair their respective homes to participate in the settlement under a court-administered repair

protocol. Any unclaimed sum from the settlement fund will be conveyed to a school district in Modesto, California. Four primary insurance carriers partially funded the defence of the Rosa case under reservations of right. The carriers for the subcontractors also funded a portion of the total settlement. Morrison Homes, Inc. funded the remainder of the settlement. One of the primary carriers filed a declaratory judgment action against Morrison Homes, Inc. seeking recovery of their settlement contribution and defence costs and won on motion for summary judgment, which is now on appeal. Morrison Homes, Inc. filed declaratory judgment actions against the remaining carriers seeking resolution of coverage disputes. Morrison Homes, Inc. has also filed malpractice actions against the law firms representing it in the Rosa case initially.

(iv) *Homestead Hills and Other Denver, Colorado Neighbourhoods*

Homestead Hills is a 167 unit single family neighbourhood located in Denver, Colorado, developed by Taylor Morrison of Colorado, Inc. Many of the homes have shown signs of structural movement in walls, slabs and foundations. After extensive testing by both structural and soils engineers, it was determined that expanding and settling soils are responsible for the movement and resulting damages in the homes. Many of the units are undergoing extensive structural repairs. Taylor Morrison of Colorado, Inc. continues to inspect affected homes and the total number of affected homes is currently unknown. Taylor Morrison of Colorado, Inc. recently filed an action against the grading contractor and other potentially responsible parties. No homeowner has filed formal legal action against Taylor Morrison of Colorado, Inc. The reserves for Homestead Hills and other affected communities cover known and reported claims only. Taylor Morrison of Colorado, Inc. is seeking insurance coverage from one insurer; however, there is no available direct insurance coverage for Homestead claims. Two additional neighbourhoods in Denver, Colorado, where Taylor Morrison of Colorado, Inc. purchased finished lots, Belle Terre and Regency, have similar soil conditions and 8 claims have been made by homeowners as of December 31, 2010. Taylor Morrison of Colorado, Inc. sold 76 homes in Belle Terre and 35 homes in Regency. However, the extent of the adverse soil conditions and number of potentially affected units is currently unknown in Homestead, Belle Terre and Regency.

As at the latest practicable date prior to publication of this document and except where otherwise disclosed, the ultimate exposure and cost of the aforementioned proceedings are not currently quantifiable. All such proceedings are being rigorously investigated and defended.

## **10. Working Capital**

The Company is of the opinion that, taking into account the facilities available to the Continuing Group, the working capital available to the Continuing Group is sufficient for its present requirements, that is, for at least the twelve months following the date of publication of this document.

## **11. Significant Change**

### ***11.1 The Continuing Group***

There has been no significant change in the financial or trading position of the Continuing Group since 31 December 2010, being the date to which the Company's results for the year ended 31 December 2010 have been prepared.

### ***11.2 Taylor Wimpey's North American Business***

There has been no significant change in the financial or trading position of Taylor Wimpey's North American Business since 31 December 2010, being the date to which the financial information on Taylor Wimpey's North American Business, presented in Part IV (Financial Information on Taylor Wimpey's North American Business) of this document, has been prepared.

## **12. Consents**

12.1 J.P. Morgan Cazenove has given, and has not withdrawn, its written consent to the inclusion in this document of the references to its name in the form and context in which they appear.

12.2 Deloitte is a member firm of the Institute of Chartered Accountants in England and Wales and has given, and not withdrawn, its written consent to the inclusion in this document of its report in Part VI (Report on the Unaudited Pro Forma Statement of Net Assets) of this document, in the form and context in which it appears.

### **13. Documents available for inspection**

Copies of the following documents will be available for inspection at the registered office of the Company at Gate House, Turnpike Road, High Wycombe, Buckinghamshire HP12 3NR and at the offices of Slaughter and May at One Bunhill Row, London EC1Y 8YY during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) up to and including the date of the General Meeting:

- 13.1 the Memorandum and Articles of Association of the Company;
- 13.2 the consolidated audited accounts of the Company and its subsidiary undertakings for the financial years ended 31 December 2008, 31 December 2009 and 31 December 2010;
- 13.3 the Disposal Agreement;
- 13.4 Report on the unaudited pro forma statement of net assets;
- 13.5 the written consent letters referred to in section 12 of this Part VIII (Additional Information);
- 13.6 the letters of appointment of the Non-Executive Directors;
- 13.7 the Executive Directors' service contracts; and
- 13.8 this document.

## PART IX

### DEFINITIONS

In this document and unless otherwise stated, the consideration, which is expressed in USD and pounds sterling, is calculated using the prevailing exchange rate as at 30 March 2011 of USD:GBP of 1.60.

The following terms have the following meanings throughout this document unless the context otherwise requires:

<b>“affordable housing”</b>	social housing, often owned or managed by local authorities or housing associations, which is provided to specified eligible households at below market price;
<b>“Articles of Association”</b>	the articles of association of the Company;
<b>“Bank Facilities”</b>	the £350,000,000 (Facility A) and £600,000,000 (Facility B) syndicated revolving credit facilities to be provided pursuant to a facility agreement between the Company, certain of its restricted subsidiaries (as defined in the facility agreement), Lloyds TSB Bank plc as facility agent and various lenders dated 16 November 2010;
<b>“Board” or “Directors”</b>	the board of directors of the Company;
<b>“Buyers”</b>	TMM Holdings Limited Partnership (a partnership controlled by certain investment funds affiliated with TPG Capital, certain investment funds affiliated with Oaktree Capital Management L.P. as well as JH Investments Inc.), and its subsidiaries (2279154 Ontario Inc. and Aylesbury Acquisition, Inc.);
<b>“CAD”</b>	the lawful currency of Canada from time to time;
<b>“CAD Loans”</b>	the CAD 50,000,000 Loan, the CAD 130,000,000 Loan and the CAD 14,079,659 Loan;
<b>“CAD Loan Note Deed”</b>	the deed poll of Taylor Wimpey 2007 Ltd dated 28 December 2007 by which it constituted the CAD 308,446,368 Notes;
<b>“CAD 14,079,659 Loan”</b>	means the intra-group loan agreement dated 21 March 2011 in the original principal amount of CAD 14,079,659 between Taylor Wimpey (BVI), as lender, and the Company, as borrower;
<b>“CAD 50,000,000 Loan”</b>	means the intra-group loan agreement dated 21 December 2010 in the original principal amount of CAD 50,000,000 between Taylor Wimpey (BVI), as lender, and the Company, as borrower;
<b>“CAD 130,000,000 Loan”</b>	means the intra-group loan agreement dated 22 December 2010 in the original principal amount of CAD 130,000,000 between Taylor Wimpey (BVI), as lender, and the Company, as borrower;
<b>“CAD 308,446,368 Notes”</b>	the CAD 308,446,368 floating rate notes 2012 constituted by Taylor Wimpey 2007 Ltd under the CAD Loan Note Deed and subscribed for by, and issued to, Taylor Wimpey (BVI) at par value pursuant to a subscription agreement between Taylor Wimpey 2007 Ltd and Taylor Wimpey (BVI) dated 28 December 2007;
<b>“Company”</b>	Taylor Wimpey plc with registered office at Gate House, Turnpike Road, High Wycombe, Buckinghamshire HP12 3NR) and registered number: 00296805;
<b>“Companies Act”</b>	has the meaning given in Section 2 of the Companies Act 2006;
<b>“Company’s Registrar”</b>	Capita Registrars Limited, of The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU;
<b>“Completion”</b>	the completion of the Disposal in accordance with the terms of the Disposal Agreement;
<b>“Completion Date”</b>	the date of Completion;

<b>“Continuing Group”</b>	the Company, its subsidiaries and its subsidiary undertakings, excluding Taylor Wimpey’s North American Business;
<b>“CREST”</b>	the system of paperless settlement of trades in securities and the holding of uncertificated securities operated by Euroclear in accordance with Uncertificated Securities Regulation 2001 (SI 2001/37550);
<b>“CREST Manual”</b>	the manual, as amended from time to time, produced by Euroclear describing the CREST system and supplied by Euroclear to users and participants thereof;
<b>“CREST Proxy Instructions”</b>	instructions whereby CREST members send a CREST message appointing a proxy for a meeting and instructing the proxy on how to vote;
<b>“Deed of Novation”</b>	has the meaning given to it in section 8.1(C) of Part VIII (Additional Information) of this document;
<b>“Deed of Substitution”</b>	has the meaning given to it in section 8.1(D) of Part VIII (Additional Information) of this document;
<b>“Deloitte”</b>	Deloitte LLP whose office is at 2 New Street Square, London EC4A 3BZ;
<b>“Disclosure Rules”</b>	the Disclosure and Transparency Rules made by the FSA pursuant to FSMA governing the disclosure of information by listed companies;
<b>“Disposal”</b>	the proposed disposal of Taylor Wimpey’s North American Business to the Buyers pursuant to the Disposal Agreement;
<b>“Disposal Agreement”</b>	the conditional share sale and purchase agreement dated 30 March 2011 between the Sellers and the Buyers, described in more detail in Part VII (Principal Terms of the Disposal Agreement) of this document;
<b>“Disposal Resolution”</b>	the ordinary resolution to approve the Disposal set out in the Notice of General Meeting;
<b>“Escrow Agreements”</b>	has the meaning given to it in section 1 of Part VII (Principal Terms of the Disposal Agreement) of this document;
<b>“Euroclear”</b>	Euroclear UK & Ireland Limited (formerly named Euroclear, the operator of CREST);
<b>“Executive Directors”</b>	the executive directors of the Company as at the date of this document, being Peter Redfern, Ryan Mangold and Sheryl Palmer;
<b>“Existing Facilities”</b>	the Bank Facilities and/or the Fund Facility;
<b>“Form of Proxy”</b>	the form of proxy accompanying this document for use by Ordinary Shareholders in connection with the General Meeting;
<b>“FSA”</b>	the Financial Services Authority of the UK;
<b>“FSMA”</b>	the Financial Services and Markets Act 2000, as amended;
<b>“Fund Facility”</b>	the £100,000,000 term credit facility to be provided pursuant to a facility agreement between the Company, the Initial Guarantor and Prudential/M&G UK Companies Financing Fund LP dated 19 November 2010;
<b>“General Meeting”</b>	the General Meeting of the Company convened by the Notice of General Meeting to be held at 10 a.m. on 18 April 2011 at the offices of J.P. Morgan Cazenove, 20 Moorgate, London EC2R 6DA or any reconvened meeting following any adjournment thereof;
<b>“Group”</b>	in respect of any time prior to Completion, the Company, its subsidiaries and subsidiary undertakings, including Taylor Wimpey’s North American Business and, in respect of any time following Completion, the Continuing Group;

<b>“GWL”</b>	George Wimpey Limited, a private limited company incorporated under the laws of England and Wales;
<b>“GWSPS”</b>	George Wimpey Staff Pension Scheme;
<b>“H.M. Treasury”</b>	Her Majesty’s Treasury;
<b>“IFRS”</b>	International Financial Reporting Standards;
<b>“in uncertificated form”</b>	a share or other security recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which, by virtue of the Uncertificated Securities Regulation 2001 (SI 2001/37550), may be transferred by means of CREST;
<b>“Initial Guarantor”</b>	Taylor Wimpey UK Limited, a private limited company incorporated under the laws of England and Wales;
<b>“J.P. Morgan Cazenove”</b>	J.P. Morgan plc, which conducts its UK investment banking business as J.P. Morgan Cazenove, whose registered office is at 125 London Wall, London, EC2Y 5AJ;
<b>“LIBOR”</b>	the London Interbank Offered Rate;
<b>“Listing Rules”</b>	the Listing Rules made by the FSA pursuant to FSMA governing, inter alia, admission of securities to the Official List of the FSA;
<b>“London Stock Exchange”</b>	London Stock Exchange plc or any recognised investment exchange for the purposes of FSMA, which may take over the functions of London Stock Exchange plc;
<b>“Merger”</b>	the merger between Taylor Woodrow plc and George Wimpey Plc into the Company on 3 July 2007;
<b>“Net Operating Assets”</b>	net assets excluding goodwill, current and deferred tax and net debt;
<b>“Notes”</b>	the 10.375 per cent. Senior Notes due 2015 issued in accordance with the offering circular dated 26 November 2010;
<b>“Non-Executive Directors”</b>	the non-executive directors of the Company as at the date of this document, being Baroness Dean of Thornton-le-Fylde, Andrew Dougal, Katherine Innes Ker, Anthony Reading MBE and Robert Rowley;
<b>“North America”</b>	Canada and the US;
<b>“Noteholders”</b>	the holders of the Notes;
<b>“Notice of General Meeting”</b>	the notice of the General Meeting set out at the end of this document;
<b>“Official List”</b>	the list maintained by the FSA in accordance with section 74(1) of FSMA for the purposes of Part VI of FSMA;
<b>“Operating Profit”</b>	profit on ordinary activities before exceptional items and finance costs;
<b>“Ordinary Shares”</b>	ordinary shares of one pence each in the capital of the Company;
<b>“Ordinary Shareholders”</b>	holders of Ordinary Shares;
<b>“Ordinary Share Register”</b>	the register of members of the Company;
<b>“Sellers”</b>	the Company, Taylor Wimpey 2007 Ltd and Wimpey Overseas Holdings Limited;
<b>“Share Warrant Instrument”</b>	the warrant instrument entered into by the Company on 30 April 2009 in favour of various lenders and note and bond holders;
<b>“subsidiary”</b>	subsidiary as that term is defined in section 1159 of the Companies Act;
<b>“subsidiary undertaking”</b>	a subsidiary undertaking as that term is defined in section 1162 of the Companies Act;

<b>“Taylor Wimpey’s North American Business”</b>	Taylor Wimpey (US), Taylor Wimpey (Canada), their subsidiaries and their subsidiary undertakings;
<b>“Trust Deed”</b>	has the meaning set out in section 8.1(J) of Part VIII (Additional Information) of this document;
<b>“Taylor Wimpey (BVI)”</b>	Taylor Woodrow Holdings (B.V.I.) Limited, a limited company incorporated under the laws of the British Virgin Islands, and an indirect wholly-owned subsidiary of Taylor Wimpey (Canada);
<b>“Taylor Wimpey (Canada)”</b>	Taylor Wimpey Holdings of Canada, Corporation, a corporation continued under the laws of the province of Nova Scotia and a wholly-owned subsidiary of the Company;
<b>“Taylor Wimpey (US)”</b>	Taylor Woodrow Holdings (USA), Inc., a Delaware corporation, and an indirect wholly-owned subsidiary of the Company;
<b>“Taylor Wimpey 2007 Ltd”</b>	Taylor Wimpey 2007 Limited, a private limited company incorporated under the laws of England and Wales; and
<b>“TWD”</b>	Taylor Wimpey Developments Limited, a private limited company incorporated under the laws of England and Wales;
<b>“TWGP&amp;LAF”</b>	the Taylor Woodrow Group Pension and Life Assurance Fund;
<b>“UK”</b>	the United Kingdom;
<b>“US”</b>	the United States of America;
<b>“US Dollar” or “USD”</b>	the lawful currency of the US from time to time;
<b>“Warrants”</b>	the rights to subscribe for Ordinary Shares granted by the Company pursuant to the Share Warrant Instrument; and
<b>“Wimpey Overseas Holdings Limited”</b>	Wimpey Overseas Holdings Limited, a private limited company incorporated under the laws of England and Wales.

# TAYLOR WIMPEY PLC

## NOTICE OF GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that a **GENERAL MEETING** of Taylor Wimpey plc (the “**Company**”) will be held at 10 a.m. on 18 April 2011 at the offices of J.P. Morgan Cazenove, 20 Moorgate, London EC2R 6DA to consider and, if thought fit, to pass the following resolution as an ordinary resolution of the Company:

### **Ordinary Resolution**

THAT the proposed disposal of the entire issued share capital of Taylor Woodrow Holdings (USA), Inc. and Taylor Wimpey Holdings of Canada, Corporation (the “**Disposal**”), as described in the circular to shareholders dated 1 April 2011 of which this Notice forms part (the “**Circular**”) on the terms and subject to the conditions of the disposal agreement dated 30 March 2011 between the Company, Taylor Wimpey 2007 Limited and Wimpey Overseas Holdings Limited and TMM Holdings Limited Partnership (a partnership controlled by certain investment funds affiliated with TPG Capital, certain investment funds affiliated with Oaktree Capital Management L.P. and JH Investments Inc.), and its subsidiaries (2279154 Ontario Inc. and Aylesbury Acquisition, Inc.) (described in Part VII (Principal Terms of the Disposal Agreement) of the Circular) is hereby approved for the purposes of Chapter 10 of the Listing Rules of the Financial Services Authority and that each and any of the Directors and the Secretary of the Company (or a duly authorised committee of the Directors) are hereby authorised to conclude and implement the Disposal in accordance with such terms and conditions and to make such non-material amendments, modifications, variations, waivers and extensions of any of the terms of the Disposal and of any documents and arrangements connected with the Disposal as he in his absolute discretion thinks necessary or desirable.

By order of the Board

James Jordan  
*Company Secretary and General Counsel*

1 April 2011

*Registered Office*  
Gate House  
Turnpike Road  
High Wycombe  
Buckinghamshire  
HP12 3NR

Incorporated in England and Wales with Registered Number 00296805

### **Important information about the General Meeting**

#### **1. General**

This is the formal notice to Ordinary Shareholders of the General Meeting and gives you information as to the date, time and place and the business to be considered at the meeting. If there is anything you do not understand, please talk to an appropriate professional adviser.

#### **2. What to do if you have recently sold or transferred all your Taylor Wimpey plc Ordinary Shares**

Please send this document but not the personalised Form of Proxy to the person to whom you sold the shares or the person who sold the shares for you (to send to the new owner of the shares). To have the right to come and vote at the General Meeting, you must hold shares in the Company and your shareholding must be entered on the register of members by close of business on 16 April 2011 or, in the event of any adjournment, not later than 48 hours before the time fixed for the adjourned meeting.

### 3. What to do if you have recently acquired your Taylor Wimpey plc Ordinary Shares and have received this document from the transferor

Please contact the Company's Registrar on 0871 664 0300 (or +44 20 8639 3399 from outside of the UK) for voting instructions and a Form of Proxy.

#### Notes:

1. An Ordinary Shareholder who is unable or does not wish to attend the General Meeting is entitled to appoint a proxy to exercise all or any of his/ her rights to attend and to speak and vote on his/her behalf at the meeting. A proxy need not be a member of the Company but must attend the meeting to represent you. A form of proxy which may be used to make such appointment and give proxy instructions accompanies this notice. If you do not have a form of proxy, or if you require additional forms, please contact the Company's Registrars, Capita Registrars on 0871 664 0300 (from within the UK; calls to this number cost 10 pence per minute (including VAT) plus your service provider's network extras) or +44 20 8639 3399 (from outside of the UK). You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
2. An Ordinary Shareholder entitled to attend, speak and vote at the meeting is entitled to appoint one or more proxies to attend, speak and vote instead of the Ordinary Shareholder. An Ordinary Shareholder may appoint more than one proxy provided that each proxy is appointed in respect of a different share or shares held by that Ordinary Shareholder. A proxy need not be an Ordinary Shareholder of the Company. A Form of Proxy is enclosed.
3. To be effective, the Form of Proxy (together with any power of attorney or other authority under which it is signed or a notarially certified copy of such power or authority) must be lodged at the offices of Capita by 10 a.m. on 16 April 2011 or not later than 48 hours before the time appointed for the holding of the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same date as the meeting or adjourned meeting) for the taking of the poll at which it is to be used. Return of a completed Form of Proxy will not preclude an Ordinary Shareholder from attending and voting personally at the meeting.
4. In the case of an Ordinary Shareholder who is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.
5. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.
6. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the General Meeting.
7. The return of a completed form of proxy, other such instrument or any CREST Proxy Instruction (as described below) will not prevent an Ordinary Shareholder attending the General Meeting and voting in person if he/she wishes to do so.
8. Ordinary Shareholders can vote electronically by contacting [www.capitashareportal.com](http://www.capitashareportal.com) and following the on screen instructions. Ordinary Shareholders will need the Investor Code printed on the enclosed Form of Proxy.
9. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members who have appointed a voting service provider(s) should refer to their CREST sponsor or voting service provider(s), who will be able to take appropriate action on their behalf.
10. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction" must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual). The message must be transmitted so as to be received by Capita, the Company's Registrar, not later than 48 hours before the time appointed for the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Capita is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.
11. CREST members and where applicable their CREST sponsors or voting service provider(s) should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
12. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
13. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
14. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
15. Any person to whom this notice is sent who is a person nominated under section 146 of the 2006 Act to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the Ordinary Shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the Ordinary Shareholder as to the exercise of voting rights.
16. The statement of the rights of Ordinary Shareholders in relation to the appointment of proxies in paragraphs 2 and 3 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by Ordinary Shareholders of the Company.
17. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those Ordinary Shareholders entered on the register of members of the Company at the close of business on 16 April 2011 or, in the event that the meeting is adjourned, on the register of members not later than 48 hours before the time fixed for the adjourned meeting, shall be entitled to attend and vote at the relevant meeting in respect of the number of ordinary shares registered in their names at any time. Changes to the entries on the register of members after this time, or in the event that this meeting is adjourned, on the register of members not later than 48 hours before the time fixed for the adjourned meeting shall be disregarded in determining the rights of any person to attend or vote at the meeting or any adjourned meeting.
18. As at 31 March 2011, the Company's issued share capital consists of 3,197,955,937 Ordinary Shares, carrying one vote each. Therefore the total number of voting rights in the Company as at 31 March 2011 is 3,197,955,937.

19. Any corporation which is a Ordinary Shareholder can appoint one or more corporate representative who may exercise on its behalf all of its powers as a member provided that they do not do s in relation to the same shares.
20. The outcome of the voting on the Disposal Resolution will be announced at the General Meeting and to the market and published on our website at [www.taylorwimpeyplc.com](http://www.taylorwimpeyplc.com).
21. Voting on all resolution at the General Meeting will be conducted by way of a poll, rather than on a show of hands. The Board believes that a poll is more representative of the Ordinary Shareholders' voting intention because it gives as many Ordinary Shareholder as possible the opportunity to have their vote counted (whether their votes are tendered by proxy in advance of, or in person at, the General Meeting). The results of the poll will be announced via a Regulatory News Service and made available at [www.taylorwimpeyplc.com](http://www.taylorwimpeyplc.com) as soon as practicable after the General Meeting.



