



THAMES WATER UTILITIES CAYMAN FINANCE LIMITED

(incorporated with limited liability in the Cayman Islands with registered number MC-187772)

£10,000,000,000

**Multicurrency programme for the issuance of
Guaranteed Wrapped Bonds unconditionally and irrevocably guaranteed as to scheduled
payments of principal and interest pursuant to financial guarantees issued by
a Relevant Financial Guarantor
and Guaranteed Unwrapped Bonds
financing
Thames Water Utilities Limited**

(incorporated in England and Wales with limited liability with registered number 2366661)

This Supplement (the "**Supplement**") to the Prospectus (the "**Prospectus**") dated 15 June 2010, which comprises a base prospectus, constitutes a supplementary prospectus for the purposes of Section 87G of the Financial Services and Markets Act 2000 (the "**FSMA**") and is prepared in connection with the multicurrency programme for the issuance of up to £10,000,000,000 Guaranteed Wrapped Bonds and Guaranteed Unwrapped Bonds (the "**Programme**").

The payment of all amounts owing in respect of the bonds (the "**Bonds**") will be unconditionally and irrevocably guaranteed by Thames Water Utilities Limited ("**TWUL**"), Thames Water Utilities Holdings Limited ("**TWH**"), Thames Water Utilities Cayman Finance Holdings Limited ("**TWUCFH**") and Thames Water Utilities Finance Limited ("**TWUF**"). TWUL, TWUF, TWUCFH, the Issuer and TWH are together referred to herein as the "**Obligors**". Terms defined in the Prospectus have the same meaning when used in this Supplement.

Each of the Issuer and the other Obligors accepts responsibility for the information contained in this Supplement. To the best of the knowledge of each of the Issuer and the other Obligors (having taken all reasonable care to ensure that such is the case) the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Supplement is supplemental to, and should be read in conjunction with, the Prospectus.

Three new factors relating to information included in the Prospectus have been noted and, upon consideration by TWUL, it has been determined that the publication of this Supplement is required. The factors requiring disclosure to investors relate to new developments in respect of the Thames Tunnel, the Defra Review of the Controlled Waste Regulations 1992, and the Industrial Emissions Directive and H4 Odour Guidance.

Amendment of Chapter 4 (Risk Factors)

By virtue of this Supplement, the paragraph titled "*Intermittent discharges into the tidal River Thames*" on page 33 of the Prospectus shall be deleted in its entirety and replaced by the following:

"Risk arising from the Thames Tunnel

As set out in Chapter 5 "Description of the TWU Financing Group – Sewerage Services – Discharges of Sewage into the Tidal River Thames – London Tideway Improvements", in March 2007 the Government decided to support the development and implementation of the full tunnel and treatment solution in respect of the Tideway Tunnel Project, which required the completion of both the Lee Tunnel and the Thames Tunnel by 2020.

The Lee Tunnel, which is funded through the CIS model, has an advanced timetable, with tunnelling work due to commence in 2012 and is anticipated to be completed in 2014.

The Thames Tunnel is a significantly more major undertaking, with estimates indicating that the capital cost may be in excess of one third of RCV at the end of the AMP 5 period (once capital expenditure, indexation and the cost of financing have been taken into account) and represents a significant concentration of risk in the development of one single asset. These risks include, but are not limited to: delays in planning, inability to secure necessary land, cost overruns, tunnelling collapse, loss of tunnel boring machines, flooding and potential unquantifiable third party claims for consequential damage. The risks also include force majeure events that cannot be anticipated. Such risks have the potential to significantly and adversely impact the Thames Tunnel project, can rarely be quantified and are for the most part uninsurable.

In respect of initial work on the Thames Tunnel, TWUL has been funded through the Final Determination in respect of the current AMP 5 period. This initial work includes obtaining planning permission, concept design work, site investigation work, land acquisition and public consultation (the first phase of such public consultation has now been completed). To the extent that the costs of land acquisition exceed the sums included in the Final Determination such costs are a Notified Item.

TWUL is not currently funded in respect of the Thames Tunnel beyond such initial work. Given the size and scale of the undertaking, and the risks involved, TWUL is therefore in discussions with both Ofwat and Defra as to the most appropriate delivery route for the remainder of the Thames Tunnel project – including the construction of the Thames Tunnel itself. A number of possible funding and delivery models, including possible delivery by a specialist project company appointed under the Flood and Water Management Act 2010, are being considered between TWUL, Ofwat and Defra.

Nevertheless, there is a risk that TWUL does not reach a satisfactory conclusion with Ofwat and Defra as to a feasible delivery model for the Thames Tunnel. In this event TWUL may be required to carry out the Thames Tunnel project with insufficient funding and/or insufficient insulation from the risks inherent in the delivery of the Thames Tunnel. It should also be noted that, in order to meet the target date of 2020 for delivery of the Thames Tunnel, TWUL may have to fund additional capital investment during and after AMP 5 which is not in the AMP 5 Final Determination.

Investors should note that, if, and to the extent that, TWUL cannot reach agreement with Ofwat and Defra as to an appropriate funding and risk insulation model, subject to the considerations noted below, there is a risk that TWUL's ability to carry out and finance its regulated activities and its financial condition may be materially adversely affected.

However, investors have a number of covenant protections in respect of such risks including (i) the obligation on the Obligors to ensure that TWUL maintains an investment grade credit rating and (ii) restrictions on the payment of dividends in the case of the Trigger Event in respect of financial covenants, or Variance in respect of Capital Expenditure on the Thames Tunnel where there is no written confirmation given by Ofwat that such Variance will be added to the RCV.

Furthermore, as described in Chapter 6 "Regulation of the Water and Wastewater Industry in England and Wales – Ofwat and the Secretary of State" Ofwat has a primary duty under the WIA to exercise and perform its duties under the WIA in the manner it considers best calculated to, amongst other things, secure that Regulated Companies are able to finance the proper carrying out of their functions and maintain an investment grade rating."

By virtue of this Supplement, the following paragraph titled "*Defra Review of Controlled Waste Regulations 1992*" shall be inserted on p39 of the Prospectus between the last paragraph of the section titled "*Environmental Considerations*" and the next section titled "*High Leverage*":

"Defra Review of the Controlled Waste Regulations 1992

A consultation by Defra, arising in December 2010 leaves TWUL at serious risk of exposure to additional Environmental Permitting requirements and potential landfill tax liability. Defra proposed a revision to the Controlled Waste Regulations omitting the exemption that excludes sewage sludge from waste controls when within the curtilage of a sewage treatment works or when being spread to agricultural land. TWUL currently believes that this is an unintended consequence of changes simply designed to resolve the uncertainty

surrounding Local Authorities' ability to charge for collection and disposal of non-domestic waste, however at the time of writing Defra has not indicated how it will resolve this problem. If the revisions go ahead as planned TWUL may need to obtain additional environmental permits for its sludge storage and disposal operations at additional operational cost and with increased compliance risk. More significantly, if environmental permits are required for its regular sludge spreading operations, it is estimated that this could add £6 per tonne (approximately 150,000 tonnes of dry solids per year) to the cost of recycling to agriculture and potentially threaten the viability and stability of this recycling outlet for sludge. Any requirement to find an alternative to the sludge to land route will lead to additional TWUL costs which could adversely affect TWUL's business, results of operations, profitability or financial position."

Amendment of Chapter 6 (Regulation of the Water and Wastewater Industry in England and Wales)

By virtue of this Supplement, the following paragraph titled "*Industrial Emissions Directive and H4 Odour Guidance*" shall be inserted on page 90 after the section titled "*Pollution Prevention and Control*" and before the section titled "*Sewage Sludge Directive*":

"Industrial Emissions Directive and H4 Odour Guidance

The proposed Industrial Emissions Directive has been published (Dec 2010) and came into force on 6 January 2011. This expands the requirements of IPPC to cover all the Company's anaerobic digestion installations and composting operations with associated costs and additional obligations. This would mean that 37 sludge treatment centres ("**STCs**") would require a bespoke environmental permit. The Environment Agency confirmed in February 2011 that the final H4 odour guidance would be published on 31st March. The H4 odour guidance will include a 1.5 Odour Unit standard and very stringent Odour Management Plans for sites with bespoke environmental permits. With associated improvement conditions and odour abatement improvements the cost of these implementations could exceed £20 million in a given year.

TWUL is actively involved in a UKWIR project to assess the exact costs, implications and implementation of the Industrial Emissions Directive, and is engaged with Defra which has 2 years to transpose the Industrial Emissions Directive into domestic legislation. TWUL's view is that the Industrial Emissions Directive would be a disproportionate regulatory tool to regulate those activities carried out on sites whose primary purpose is to meet the requirements of Urban Wastewater Treatment Directive. However, if this proceeds as expected, these additional obligations would have an impact in 2013 and 2014, and therefore TWUL would incur unfunded costs within the current AMP period, the full scale of which will be informed by the UKWIR project. These additional costs could materially adversely affect TWUL's business, results of operations, profitability or financial position."

To the extent that there is any inconsistency between any statement in this Supplement and any other statement in or incorporated by reference in the Prospectus, the statements in this Supplement will prevail.

Save as disclosed in this Supplement, no other significant new factor, material mistake or inaccuracy relating to information included in the Prospectus has arisen or been noted, as the case may be, since the publication of the Prospectus.

Investors should be aware of their rights under Section 87Q(4) of the FSMA.

If documents which are incorporated by reference to this Supplement themselves incorporate any information or other documents therein, either expressly or implicitly, such information or other documents will not form part of this Supplement for the purposes of the Prospectus Directive except where such information or other documents are specifically incorporated by reference or where this Supplement is specifically defined as including such information.

This Supplement has been approved by the United Kingdom Financial Services Authority (the "**FSA**"), which is the United Kingdom competent authority for the purposes of Directive 2003/71/EC (the "**Prospectus Directive**") and relevant implementing measures in the United Kingdom, as a base prospectus supplement issued in compliance with the Prospectus Directive and relevant implementing measures in the United Kingdom.