

WESTERN ASSET LIQUIDITY FUNDS PLC

(A COMPANY WITH VARIABLE SHARE CAPITAL AND LIMITED LIABILITY)



SEMI-ANNUAL REPORT

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2010

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General Information

The English language financial statements may be translated into other languages and such translations shall contain only the same information as the English language financial statements. In the event of any inconsistency or ambiguity in relation to the meaning of any word or phrase in any translation, the English text shall prevail and all disputes as to the terms thereof shall be governed by, and construed in accordance with the laws of Ireland.

Directors of the Company*:	John Alldis - Luxembourg Brian Collins - Ireland (Independent) Joseph Keane - Ireland (Independent) Joseph LaRocque - USA
Secretary:	Bradwell Limited** Arthur Cox Building Earlsfort Terrace Dublin 2 Ireland
Registered Office:	Riverside Two Sir John Rogerson's Quay Grand Canal Dock, Dublin 2 Ireland
Administrator and Transfer Agent:	PNC Global Investment Servicing (Europe) Limited Riverside Two Sir John Rogerson's Quay Grand Canal Dock, Dublin 2 Ireland
Investment Manager:	Western Asset Management Company 385 East Colorado Boulevard Pasadena California 91101 USA
Sub-Investment Manager:	Western Asset Management Company Limited 10 Exchange Square Primrose Street London EC2A 2EN United Kingdom
Custodian:	PNC International Bank Limited Riverside Two Sir John Rogerson's Quay Grand Canal Dock, Dublin 2 Ireland
Irish Counsel:	Arthur Cox*** Earlsfort Centre Earlsfort Terrace Dublin 2 Ireland
Independent Auditors:	PricewaterhouseCoopers Chartered Accountants and Registered Auditors One Spencer Dock North Wall Quay Dublin 1 Ireland
Master Distributor:	Legg Mason Investor Services LLC 100 International Drive Baltimore Maryland 21202 USA

General Information - (continued)

Distributors:	Western Asset Management Company Limited 10 Exchange Square Primrose Street London EC2A 2EN United Kingdom	Legg Mason Investments (Europe) Limited 75 King William Street London EC4N 7BE United Kingdom
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Shareholder Servicing Agent:	Western Asset Management Company Limited 10 Exchange Square Primrose Street London EC2A 2EN United Kingdom
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The distributors have sub-distribution arrangements in place with the following entity:

Greek Sub-Distributor:	CitiBank NA Global Corporate & Investment Bank (GCIB) 8, Othonos str 10557 Athens Greece
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German Paying Agent:	Marcard, Stein & Co AG Ballindamm 36 20095 Hamburg Germany
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Luxembourg Paying Agent:	Citibank International plc (Luxembourg Branch) 31, Z.A. Bourmicht L-8070 Bertrange Grand Duchy of Luxembourg
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Sponsoring Broker:	J&E Davy Davy House 49 Dawson Street Dublin 2 Ireland
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* Frank Ennis resigned as Director effective 25 August 2009. Joseph Keane was appointed as director of the Company with effect from 11 September 2009.

** Bradwell Limited replaced Matsack Trust Limited as Secretary of the Company effective 1 January 2010.

*** Arthur Cox replaced Matheson Ormsby Prentice as Legal Advisers effective 1 January 2010.

Investment Managers' Reports for the six months ended 28 February 2010

WESTERN ASSET US DOLLAR LIQUIDITY FUND

Market Review

Economic conditions continued to gradually improve over the last six months. The U.S. economy expanded for the first time in more than a year as 2009 third quarter GDP¹ grew at a 2.2% pace supported by increased consumer spending, exports and investment. Quarter 4 GDP was also very strong, rising at a 5.9% annual pace, the strongest growth rate in more than six years. Overall the economic climate continued to improve as U.S. Government sponsored stimulus programs, such as "cash for clunkers" and a first time home-buyer tax credit helped spur sales. Labor markets remained weak as the unemployment rate rose to a recent high of 10.1% in October 2009. While the employment environment will be slow to recover, more recent statistics, including a drop of the unemployment rate to 9.7%, are encouraging. Headline inflation rose at a 2.6% year on year rate, primarily the result of higher energy prices. The less volatile core rate recently declined for the first time since 1982 (on a monthly basis) and is running at a 1.6% annual rate. Overall, inflation remains subdued and this will aid the Fed in their efforts to keep rates low to further stimulate economic growth.

In December 2009 the Federal Reserve (Fed)² stated that most of their special credit facilities would end in February 2010, as scheduled, due to "ongoing improvements in the functioning of financial markets." In another sign of better conditions, the U.S. Government allowed several of the largest money center banks (including Citigroup and Bank of America) to repay their troubled asset relief program funds after they were able to raise sufficient amounts of new capital. In February, the Fed announced various changes to their discount window lending programs while increasing the discount rate by 25 bps (basis points), from 0.50% to 0.75%. The discount rate is the primary credit rate at which financial institutions can borrow directly from the Fed, and this move was meant to persuade banks to utilize private markets for their short-term credit needs. The Fed noted that these changes were "intended as further normalization of the Federal Reserve's lending facilities" and "do not signal any change in the outlook for the economy or for monetary policy." The actions taken by the Fed in February mark the beginning of a reduction in the quantitative easing programs that have been in place since the onset of the financial crisis, and are indicative of a shift toward a more normalized environment.

The Fed kept the target range for the federal funds reserve rate (Refi rate)³ at 0%-0.25%, for the investment period, while reiterating the need to maintain exceptionally low interest rates "for an extended period". The FOMC⁴ has acknowledged that the economic environment has continued to improve and financial market conditions stabilized and though labor markets have shown signs of recovery, they still remain weak. Nevertheless, ongoing levels of slack in the economy and low inflation expectations enable the Fed to remain accommodative in their policy stance.

The improvement in financial and economic conditions pushed short-term yields sharply lower over the period. Six-month LIBOR declined 38 basis points (bps), to .39% and one-year LIBOR fell 51 bps, to .84% helping the curve to flatten. Short-term market risk indicators normalized as Fed liquidity measures helped to further ease credit conditions. The TED⁵ spread fell 8 bps, to 14 bps while the LIBOR/OIS spread narrowed to 9 bps from 17. Demand for U.S. Treasury bills far outstripped supply in the later part of 2009 at times driving short maturity bill yields to zero. More recently, supply has increased, due in part to the revival of the SFP (Supplementary Financing Program), returning bill yields to more appropriate market levels.

Portfolio Review

Throughout much of the reporting period we have maintained a long average maturity stance in the fund. We selectively added bank obligations and corporate commercial paper while still maintaining a high degree of liquidity. We increased our holdings of floating rate securities. Increased supply has made this an attractive asset class and they will enhance our yield as we view the potential for a steeper yield curve to be forthcoming.

Over the period, the gross performance of Western Asset US Dollar Liquidity Fund was 0.20% versus 0.03% for the benchmark.

Western Asset Management Company

16 April 2010

WESTERN ASSET STERLING LIQUIDITY FUND[^]

Market Review

The UK economy emerged from recession in the fourth quarter 2009 after 6 consecutive quarters of contraction. The output grew by 0.3% in the last quarter of 2009 as private consumption and government spending drove the economy. Unemployment surprised on the downside as the unemployment rate remained unchanged over the period at 7.8%. Retail sales spiked from 2.6% in August 2009 to 4.2% in October 2009 before falling back to 2.6% in January 2010. Consumer confidence continued to improve, the GfK index rose from -25 in August 2009 to -14 in February 2010. Over this period, manufacturing and service purchasing managers index showed some strength as they rose respectively from 49.7 to 56.6 and from 54.1 to 58.4. Both levels were well above the 50 level, which separates contraction from expansion.

Property market continued to recover: HBOS reported that price rose from -10.1% year on year in August 2009 to +4.5% year on year in February 2010 and Nationwide said that house prices changed from -2.74% yoy to +9.2% year on year over the same period. Nevertheless, the latest RICS survey indicated that this property recovery started to fade.

Inflation in the UK has been surprising on the upside. Inflation was expected to rise due to base effects but the move has been stronger than what most economists forecasted. Over the period, inflation increased from 1.6 % to 3.5%, breaking the 3% level. The Bank of England has a target of 2% with 1% band range each side. When inflation prints outside of the range, the bank of England have to write an explanation letter to the government. Core inflation has been strong too, it increased from 1.8% to 3.1%.

[^] Not authorised in Hong Kong and not available to Hong Kong residents.

Investment Managers' Reports for the six months ended 28 February 2010 - (continued)

During the period the Bank of England (BOE) kept the base rate unchanged at 0.5% and increased quantitative easing from £175bn to £200bn. The BOE paused its asset purchase program in February 2010 but it left the option open to increase it in the future if the economy needs it.

The slope of the money market yield curve steepened by 6 bps to 76 bps. One-month LIBOR rose 1 basis point to 0.54%, three-month LIBOR fell 5 bps to 0.64% and 12-month was up by 7 bps at 1.30%. Two-year gilt yield fell 58 bps to 0.94%. The three-month LIBOR/OIS spread tightened 18 bps to 18 bps, with a high of 36 on 31 August 2009. Short Sterling future contract for December 2010 closed the month at 98.84 (ie 1.16%), which implied that 3-month Euribor rate will rise by 52 bps by December 2010.

Portfolio Review

At the end of February 2010, the duration of the Western Asset Sterling Liquidity Fund[^] was 32 days and the spread duration was 0.43 year. We continued to hold our floating rate note positions, investing in short Euro Commercial Paper and allocating a strong portion of the portfolio to overnight and time deposits and repurchase agreements.

Over the period, the gross performance of Western Asset Sterling Liquidity Fund[^] was 0.27% versus 0.22% for the benchmark.

Western Asset Management Company

16 April 2010

WESTERN ASSET EURO LIQUIDITY FUND[^]**WESTERN ASSET EURO GOVERNMENT LIQUIDITY FUND[^]****Market Review**

The European economy continued to recover from the financial crisis. The GDP grew by 0.4% in the third quarter and 0.1% in the fourth quarter 2009. The annual GDP remained negative at -2.1% at the end of 2009. After rising for 2 consecutive quarters, the German economy stalled in the last quarter 2009. France posted 3 consecutive quarters of expansion. Unemployment rose from 9.6% in August 2009 to 9.9% in November 2009 and has been stable since. Consumer confidence showed good signs of recovery until January 2010 but started to record some weakness as it declined a little in February 2010. Nevertheless, the European manufacturing PMI remained strong as it rose from 48.2 in August 2009 to 54.2 in February 2010. A level above 50 means that the sector is expanding. Nevertheless, the Service Purchasing Managers Index had recently 2 months of decline, making it rising only from 49.9 in August 2009 to 51.8 in February. The Composite Purchasing Managers Index rose from 50.4 to 53.7 during the same period.

Inflation in Europe rose back, as expected, on base effect. Headline inflation rose from -0.2% year on year in August 2009 to +0.9% in February 2010. The core inflation continued to decline as it moved from +1.3% in August 2009 to +0.8% in February 2010.

During the period, the European Central Bank (ECB) kept the Refi rate unchanged at 1% but started to put in place its exit strategy. The ECB has announced in the last quarter of 2009 that "not all liquidity measures will be needed to the same extent as in the past" and that the ECB will gradually phase out the temporary measures. The ECB terminated the 1 year Long Term Refinancing Operation (LTRO) in December 2009 and has announced that the last 6 month LTRO will be in March 2010. It has also moved from 1% fixed rate to average rate on the last 1 year and 6 month LTRO. The 3 month LTRO will also move from full allotment and 1% rate to variable rate tender with fixed amount. Nevertheless, the ECB will continue to provide full allotment at 1% in its 1 week and 1 month refinancing operations until the third quarter 2010. Excess of liquidity in the euro system remained very high, above eur 200 bn, which continued to keep the o/n rate depressed at 65 bps below the 1% ECB main rate.

The slope of the money market yield curve flattened 2 bps to 80 bps. One-month Euribor fell by 7 bps to 0.42%, three-month Euribor fell by 17 bps to 0.66% and 12-month fell by 9 bps to 1.22%. Two-year German government yield fell 29 bps to 0.96%.

The three-month Euribor/OIS spread tightened 14 bps to 29 bps. Two-year swap spread tightened by 1 bp to 49 bps, hitting a high of 67 bps on 30 December 2009. The iTraxx Euro Senior Financial 5-year Index declined 6 bps to 85 bps. Euribor future contract for December 2010 closed the month at 98.800 (ie 1.20%), which implied that 3-month Euribor rate will rise by 54 bps by December 2010.

Portfolio Review

At the end of February 2010, the duration of the Western Asset Euro Liquidity Fund[^] was 40 days and the spread duration was 0.82 year. We continued to hold our floating rate note positions, investing in short Euro Commercial Paper and allocating a strong portion of the portfolio to overnight and time deposits and repurchase agreements.

Over the period, the gross performance of Western Asset Euro Liquidity Fund[^] was 0.36% versus 0.18% for the benchmark.

Over the period, the gross performance of Western Asset Euro Government Liquidity Fund[^] was 0.19% versus 0.09% for the benchmark.

Western Asset Management Company

16 April 2010

[^] Not authorised in Hong Kong and not available to Hong Kong residents.

Investment Managers' Reports for the six months ended 28 February 2010 - (continued)

The information provided in these reports by the Investment Managers represents opinions that are based on present conditions and is not intended to be a forecast of future events, a guarantee of future results or investment advice. Views expressed may differ from those of the firm as a whole. From time to time the Investment Manager will, in their sole discretion, waive part of the Investment Management Fee. The level of such waivers will vary from time to time and vary between Funds. The utilisation of fee waivers is designed to ensure that the Funds' returns, net of fees, remain competitive compared to benchmarks and similar funds available to investors in the marketplace. Portfolio holdings and breakdowns are as of 28 February 2010 and are subject to change. Please refer to pages 7 through 11 for a list and percentage breakdown of each Fund's holdings.

- 1 Gross Domestic Product (GDP) is a market value of goods and services produced by labour and property in a given country.
- 2 The U.S. Federal Reserve Board (Fed) is responsible for the formulation of a policy designed to promote economic growth, full employment, stable prices, and a sustainable pattern of international trade and payments.
- 3 Refi rate is the rate at which the main refinancing operations are done. The main refinancing operations are defined as regular liquidity-providing reverse transactions with a weekly frequency and a maturity of normally one week.
- 4 The Committee, FOMC, is the branch of the Federal Reserve Board that determines the direction of the monetary policy.
- 5 The TED spread is the price difference between three-month futures contracts for U.S. Treasuries and three-month contracts for Euro dollars having identical expiration months.

Please note that an investment in a money market fund is neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although a money market fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the fund.

The views expressed in this commentary reflect those of Western Asset Management Company as of 16 April 2010, may differ from those of other portfolio managers or the firm as a whole and are subject to change at any time. These views are not intended to be a forecast of future events, a guarantee of future results or investment advice. Offshore fund units may not be sold to citizens or residents of any other jurisdiction where it could be unlawful to offer, solicit or sell the units.

Portfolio of Investments as at 28 February 2010 (unaudited)

WESTERN ASSET US DOLLAR LIQUIDITY FUND

Nominal	Issuer*	Coupon Rate/Yield %	Due On	Valuation \$	% of Net Assets
CERTIFICATES OF DEPOSIT					
40,000,000	*** Abbey National Treasury Services PLC	0.268%	9-Dec-10	\$40,000,000	0.81%
35,000,000	ABN Amro Bank NV	0.410	7-Jul-10	35,000,000	0.71
15,000,000	*** ANZ National	0.349	3-Dec-10	15,000,000	0.30
25,000,000	Bank of America	0.420	24-Mar-10	25,000,000	0.50
75,000,000	Bank of Montreal	0.190	25-May-10	75,000,000	1.51
50,000,000	Bank of Nova Scotia	1.150	7-May-10	50,000,000	1.01
50,000,000	Bank of Nova Scotia	0.200	1-Jun-10	50,000,000	1.01
25,000,000	Bank of Nova Scotia	0.300	12-Jul-10	25,000,000	0.50
50,000,000	Bank of Tokyo Mitsubishi	0.300	9-Aug-10	50,000,000	1.01
50,000,000	Barclays Bank NY	0.200	31-Mar-10	50,000,000	1.01
30,000,000	*** Barclays Bank NY	0.528	11-Jan-11	30,000,000	0.61
50,000,000	BNP Paribas NY	0.240	13-May-10	50,000,000	1.01
40,000,000	BNP Paribas NY	0.300	16-Aug-10	40,000,000	0.81
50,000,000	Canadian Imperial Bank	0.320	17-Mar-10	50,000,000	1.01
50,000,000	CitiBank NA	0.210	23-Apr-10	50,000,000	1.01
50,000,000	Credit Agricole SA	0.850	12-Mar-10	50,000,000	1.01
40,000,000	Credit Agricole SA	0.310	13-Jul-10	40,000,000	0.81
40,000,000	Credit Suisse NY	1.925	23-Apr-10	40,000,000	0.81
25,000,000	*** Credit Suisse NY	0.249	29-Jul-10	25,000,000	0.50
30,000,000	*** Credit Suisse NY	0.249	5-Jan-11	30,000,000	0.61
35,000,000	Deutsche Bank NY	0.280	26-Jul-10	35,000,000	0.71
45,000,000	DNB Nor Bank ASA	0.200	26-Apr-10	45,000,000	0.91
50,000,000	*** DNB Nor Bank ASA	0.307	10-Sep-10	50,000,000	1.01
45,000,000	HSBC Bank PLC	0.320	31-Aug-10	45,000,000	0.91
25,000,000	ING Bank NV	0.340	10-Mar-10	25,000,063	0.50
25,000,000	ING Bank NV	0.540	10-May-10	25,000,243	0.50
40,000,000	ING Bank NV	0.360	26-Jul-10	40,000,815	0.81
45,000,000	Intesa Sanpaolo SpA	0.200	7-Apr-10	45,000,000	0.91
25,000,000	*** Intesa Sanpaolo SpA	0.431	20-Aug-10	25,000,000	0.50
50,000,000	National Bank of Canada	0.370	6-Apr-10	50,000,000	1.01
50,000,000	Nordea Bank Finland	1.370	28-Apr-10	50,023,069	1.01
50,000,000	*** Rabobank Nederland NV NY	0.255	4-Jun-10	50,007,394	1.01
50,000,000	Royal Bank of Scotland	0.750	23-Mar-10	50,000,000	1.01
50,000,000	Societe Generale	0.260	1-Mar-10	50,000,000	1.01
50,000,000	*** Societe Generale NY	0.549	5-May-11	50,000,000	1.01
50,000,000	Sumitomo Mitsui Banking Corp.	0.220	12-May-10	50,000,498	1.01
25,000,000	Svenska Handelsbanken NY	0.305	13-May-10	25,000,253	0.50
25,000,000	*** Svenska Handelsbanken NY	0.259	23-Jul-10	25,000,493	0.50
25,000,000	UBS AG Stamford	0.550	26-Apr-10	25,011,647	0.51
25,000,000	UBS AG Stamford	0.910	26-Jul-10	25,051,872	0.51
40,000,000	*** Westpac Banking Corp. NY	0.274	6-Oct-10	40,008,269	0.81
				1,645,104,616	33.22
COMMERCIAL PAPER					
10,000,000	** ANZ National	0.400	18-Mar-10	9,998,111	0.20
50,000,000	** ANZ National	0.400	18-Mar-10	49,990,556	1.01
50,000,000	∞ Australia and New Zealand Banking Group Ltd.	0.244	16-Dec-10	49,996,794	1.01
25,000,000	** Banco Bilbao Vizcaya	0.335	21-Apr-10	24,988,313	0.50
50,000,000	** Bank of Montreal	0.190	15-Apr-10	50,000,000	1.01
50,000,000	** BNZ International Funding Ltd.	0.305	5-Aug-10	49,934,583	1.01
30,000,000	*** BNZ International Funding Ltd.	0.314	12-Jan-11	30,000,000	0.61
50,000,000	** Commerzbank U.S. Finance, Inc.	0.254	3-Mar-10	49,999,306	1.01
50,000,000	** Commerzbank U.S. Finance, Inc.	0.243	24-May-10	49,971,708	1.01
15,000,000	** Danske Corp.	0.205	7-Apr-10	14,996,840	0.30
80,000,000	** Danske Corp.	0.208	7-Apr-10	79,983,144	1.61
45,000,000	** Deutsche Bank	0.294	9-Aug-10	44,941,638	0.91
50,000,000	** Dexia Delaware LLC	0.210	1-Mar-10	50,000,000	1.01
25,000,000	** Dexia Delaware LLC	0.284	9-Mar-10	24,998,444	0.50
40,000,000	** Dexia Delaware LLC	0.284	16-Mar-10	39,995,333	0.81
50,000,000	** ENI Finance USA, Inc.	0.213	28-Apr-10	49,983,083	1.01
40,000,000	** General Electric Capital Corp.	0.284	9-Aug-10	39,949,911	0.81
25,000,000	** ING Funding	0.140	2-Mar-10	24,999,903	0.50
50,000,000	** JPMorgan Chase and Co.	0.254	14-Jul-10	49,953,125	1.01
40,000,000	** Natixis U.S. Finance Co.	0.386	23-Jul-10	39,939,200	0.81
40,000,000	** Natixis U.S. Finance Co.	0.366	2-Aug-10	39,938,400	0.81
100,000,000	** Skandinav Enskilda Bank	0.264	26-Mar-10	99,981,944	2.02
75,000,000	** Societe de Prise de Participation	0.190	12-May-10	74,971,500	1.51
30,000,000	** Societe de Prise de Participation	0.254	27-May-10	29,981,875	0.61
25,000,000	** State Street Corp.	0.203	2-Mar-10	24,999,861	0.50
25,000,000	** State Street Corp.	0.203	18-May-10	24,989,167	0.50
50,000,000	** Sumitomo Mitsui Banking Corp.	0.203	8-Jun-10	49,958,750	1.01
50,000,000	** Svenska Handelsbanken	0.244	4-Mar-10	49,999,000	1.01
48,000,000	** UBS Finance Delaware	0.620	24-Mar-10	47,981,293	0.97
40,000,000	** Unicredit Delaware, Inc.	0.524	18-May-10	39,955,367	0.81
25,000,000	** Westpac Banking Corp.	0.420	21-Apr-10	24,985,125	0.50
				1,332,362,274	26.90
FDIC BACKED BONDS AND NOTES					
50,000,000	Chase Bank USA	0.180	10-May-10	50,000,000	1.01
40,300,000	*** The Goldman Sachs Group, Inc.	0.351	28-Jun-10	40,304,796	0.81
				90,304,796	1.82

See Notes to Financial Statements.

Portfolio of Investments as at 28 February 2010 (unaudited) - (continued)

WESTERN ASSET US DOLLAR LIQUIDITY FUND - (continued)

Nominal	Issuer*	Coupon Rate/Yield %	Due On	Valuation \$	% of Net Assets
MEDIUM TERM NOTES/CORPORATE NOTES/SUPERNATIONALS					
50,000,000	** Kingdom of Sweden	0.826%	17-Mar-10	\$49,981,778	1.01%
				49,981,778	1.01
U.S. GOVERNMENT AGENCY					
75,000,000	*** Federal Farm Credit Bank Agency Bond	0.370	5-Mar-10	75,000,000	1.51
25,000,000	*** Federal Farm Credit Bank Agency Bond	0.950	16-Mar-10	24,999,481	0.50
50,000,000	*** Federal Farm Credit Bank Agency Bond	0.620	15-Jul-10	49,998,119	1.01
30,000,000	*** Federal Farm Credit Bank Agency Bond	0.479	23-Dec-10	30,000,000	0.61
50,000,000	*** Federal Home Loan Mortgage Corp.	0.151	14-Jul-11	49,998,549	1.01
63,250,000	*** Federal Home Loan Mortgage Corp.	0.232	24-Aug-10	63,290,389	1.28
90,000,000	*** Federal Home Loan Mortgage Corp.	0.235	3-Sep-10	89,986,218	1.82
50,000,000	*** Federal Home Loan Mortgage Corp.	0.219	24-Sep-10	49,991,516	1.01
40,000,000	*** Federal Home Loan Mortgage Corp.	0.160	4-May-11	40,024,905	0.81
100,000,000	*** Federal Home Loan Mortgage Corp.	0.129	5-May-11	99,963,276	2.02
50,000,000	*** Federal Home Loan Mortgage Corp.	0.120	25-Jan-12	49,913,444	1.01
50,000,000	** Federal Home Loan Mortgage Corp. Discount Note	0.157	24-Jun-10	49,975,243	1.01
135,325,000	** Federal Home Loan Mortgage Corp. Discount Note	0.203	26-Jul-10	135,214,485	2.73
88,500,000	** Federal Home Loan Mortgage Corp. Discount Note	0.223	10-Aug-10	88,412,385	1.78
75,000,000	*** Federal National Mortgage Association Agency Bond	0.141	13-Jul-10	74,997,244	1.51
30,000,000	*** Federal National Mortgage Association Agency Bond	0.199	5-Aug-10	29,993,736	0.61
50,000,000	*** Federal National Mortgage Association Agency Bond	0.130	13-May-11	49,994,000	1.01
25,000,000	** IADB Discount Note	0.220	8-Apr-10	24,994,194	0.50
75,000,000	** IBRD Discount Note	0.190	1-Jun-10	74,963,583	1.51
				1,151,710,767	23.25
VARIABLE RATE NOTES					
29,156,000	*** The Goldman Sachs Group, Inc.	0.551	28-Jun-10	29,178,868	0.59
				29,178,868	0.59
TOTAL TRANSFERABLE SECURITIES				4,298,643,099	86.79
TIME DEPOSITS†					
100,000,000	Bank of Tokyo Mitsubishi	0.160	1-Mar-10	100,000,000	2.02
110,000,000	CitiBank NA	0.140	1-Mar-10	110,000,000	2.22
50,000,000	Commerzbank AG	0.140	1-Mar-10	50,000,000	1.01
50,000,000	Credit Agricole SA	0.150	1-Mar-10	50,000,000	1.01
50,000,000	Dexia Credit Local	0.150	1-Mar-10	50,000,000	1.01
50,000,000	DNB Nor Bank	0.130	1-Mar-10	50,000,000	1.01
80,000,000	Natixis	0.140	1-Mar-10	80,000,000	1.61
100,000,000	Nordea	0.140	1-Mar-10	100,000,000	2.02
51,865,000	Royal Bank of Canada	0.125	1-Mar-10	51,865,000	1.05
60,000,000	Societe Generale Grand Cayman	0.150	1-Mar-10	60,000,000	1.21
				701,865,000	14.17
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS				5,000,508,099	100.96
Liabilities in Excess of Other Assets				(47,684,508)	(0.96)
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE PARTICIPATING SHARES				4,952,823,591	100.00%

* All securities, except deposits with credit institutions, are transferable securities dealt in on a regulated market.

** Rate reflects yield to maturity as at 28 February 2010.

*** Reflects variable rate security as at 28 February 2010.

† Deposits with credit institutions.

∞ Security is valued in good faith at fair value by or at the discretion of the Investment Manager.

ANALYSIS OF TOTAL ASSETS

Transferable securities dealt in on a regulated market

Deposits with credit institutions

Other assets

TOTAL ASSETS

**% of
Total Assets**

85.91%

14.03

0.06

100.00%

Portfolio of Investments as at 28 February 2010 (unaudited) - (continued)

WESTERN ASSET STERLING LIQUIDITY FUND[^]

Nominal	Issuer*	Coupon Rate/Yield %	Due On	Valuation £	% of Net Assets
CERTIFICATES OF DEPOSIT					
22,000,000	Bank of Tokyo	0.500%	8-Mar-10	£21,997,892	5.48%
12,500,000	Bank of Tokyo Mitsubishi UFG	0.480	16-Mar-10	12,497,535	3.12
15,000,000	Svenska Handelsbanken	0.500	22-Apr-10	14,999,999	3.74
				49,495,426	12.34
COMMERCIAL PAPER					
15,000,000	** Banco Bilbao Vizcaya	0.512	26-Apr-10	14,988,048	3.74
10,000,000	** Bank of Western Australia	0.620	16-Mar-10	9,997,415	2.49
16,000,000	** Banque Federative du Credit Mutuel	0.571	27-Apr-10	15,985,532	3.98
10,000,000	** Calyon Australia Ltd.	0.703	19-Jul-10	9,972,673	2.49
12,500,000	** DNB Nor Bank	0.493	16-Mar-10	12,497,433	3.12
15,800,000	** Lloyds TSB Bank Plc	0.601	19-Apr-10	15,787,081	3.94
22,000,000	** Nordea Bank Plc	0.581	6-Apr-10	21,987,216	5.48
16,700,000	** Pohjola Bank Plc	0.581	16-Mar-10	16,695,955	4.16
16,000,000	** Royal Bank of Scotland	0.561	29-Apr-10	15,985,283	3.98
22,000,000	** Societe Generale	0.493	24-Mar-10	21,993,076	5.48
11,000,000	** Unicredito Italiano	0.552	31-Mar-10	10,994,943	2.74
15,000,000	** Westpac Trust	0.502	26-Apr-10	14,988,277	3.74
				181,872,932	45.34
VARIABLE RATE NOTES					
2,644,531	*** Arran Residential Mortgages Funding Plc	0.644	16-Sep-36	2,644,004	0.66
17,570	*** Arran Residential Mortgages Funding Plc	0.550	20-Sep-36	17,550	0.00
7,450,000	*** BNZ International Funding Ltd.	0.632	6-Jul-10	7,450,805	1.87
6,618,909	*** Driver UK One Ltd.	1.239	20-Mar-17	6,618,909	1.65
8,000,000	*** European Investment Bank	1.016	6-Aug-10	8,000,000	1.99
10,000,000	*** Kreditanstalt fuer Wiederaufbau	0.861	16-Feb-11	10,000,000	2.49
8,000,000	*** Santander International Debt S.A.	1.293	21-May-10	8,000,000	1.99
4,500,000	*** Societe Financement de l'Economie Francaise	0.661	16-Jul-12	4,500,000	1.12
				47,231,268	11.77
TOTAL TRANSFERABLE SECURITIES				278,599,626	69.45
TIME DEPOSITS†					
4,600,457	Commerzbank AG	0.230	1-Mar-10	4,600,457	1.15
18,901,790	Commerzbank AG	0.450	1-Mar-10	18,901,790	4.71
18,845,528	Dexia Delaware LLC	0.230	1-Mar-10	18,845,528	4.70
				42,347,775	10.56
REPURCHASE AGREEMENTS#					
40,000,000	Barclays Bank PLC Repurchase Agreement dated 25 February 2010 at 0.420% to be repurchased at £41,001,381 on 1 March 2010 (collateralised by Treasury Bill, 4.250% due 7-Dec-09, market value £40,800,000)		1-Mar-10	40,000,000	9.97
40,000,000	UBS Warburg Repurchase Agreement dated 25 February 2010 at 0.430% to be repurchased at £40,001,414 on 1 March 2010 (collateralised by Treasury Bill, 2.750% due 22-Jan-15, market value £40,800,000)		1-Mar-10	40,000,000	9.98
				80,000,000	19.95
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS				400,947,401	99.96
Other Assets in Excess of Liabilities				151,462	0.04
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE PARTICIPATING SHARES				401,098,863	100.00%

* All securities, except deposits with credit institutions and repurchase agreements, are transferable securities dealt in on a regulated market.

** Rate reflects yield to maturity as at 28 February 2010.

*** Reflects variable rate security as at 28 February 2010.

† Deposits with credit institutions.

Money market instruments.

ANALYSIS OF TOTAL ASSETS

Transferable securities and money market instruments admitted to official stock exchange listing or traded on a regulated market

Money market instruments

Transferable securities dealt in on a regulated market

Deposits with credit institutions

Other assets

TOTAL ASSETS

**% of
Total Assets**

57.66%

19.94

11.77

10.55

0.08

100.00%

[^] Not authorised in Hong Kong and not available to Hong Kong residents.
See Notes to Financial Statements.

Portfolio of Investments as at 28 February 2010 (unaudited) - (continued)

WESTERN ASSET EURO LIQUIDITY FUND[^]

Nominal	Issuer*	Coupon Rate/Yield %	Due On	Valuation €	% of Net Assets
CERTIFICATES OF DEPOSIT					
30,000,000	Bank of Tokyo Mitsubishi UFJ	0.595%	12-Jul-10	€29,934,252	4.60%
20,000,000	Bank of Western Australia	0.410	4-May-10	19,985,437	3.08
				49,919,689	7.68
COMMERCIAL PAPER					
23,500,000	** Abbey National Treasury Services PLC	0.270	24-Mar-10	23,495,947	3.61
25,000,000	** Banco Bilbao Vizcaya	0.340	18-Mar-10	24,995,987	3.84
15,500,000	** Banque Federative du Credit Mutuel	0.270	24-Mar-10	15,497,327	2.38
25,000,000	** Nordea Bank PLC	0.340	18-Mar-10	24,995,987	3.84
11,500,000	** Pohjola Bank PLC	0.320	31-Mar-10	11,496,935	1.77
23,500,000	** Rabobank Nederland NV NY	0.270	24-Mar-10	23,495,947	3.61
14,000,000	** Sanpaolo IMI Bank	0.845	5-Jul-10	13,958,617	2.15
25,000,000	** Unicredito Italiano	0.330	18-Mar-10	24,996,105	3.85
				162,932,852	25.05
FIXED/VARIABLE RATE NOTES					
6,733,760	*** Arran Residential Mortgages Funding PLC	0.755	16-Sep-36	6,733,760	1.04
8,000,000	Bank of Scotland PLC	4.500	10-Sep-10	8,129,145	1.25
10,700,000	*** Barclays Bank PLC	2.072	25-Oct-10	10,792,774	1.66
30,000,000	*** Caixa Geral de Depositos SA	1.310	21-May-10	29,998,735	4.62
10,000,000	*** Credit Foncier de France	0.565	11-Dec-11	10,000,000	1.54
14,282,488	*** Driver One GmbH	0.999	21-Feb-14	14,282,488	2.20
30,000,000	*** European Investment Bank	0.817	6-Sep-10	30,000,000	4.61
7,208,600	*** Fondo De Titulizacion De Activos Santander Auto	0.720	25-Nov-21	7,200,512	1.11
19,000,000	*** GE Capital European Funding	0.768	1-Mar-10	19,000,000	2.92
27,700,000	*** ING Bank NV	1.210	21-May-10	27,697,080	4.26
4,533,570	*** Noria Corp.	0.786	31-Dec-20	4,509,823	0.69
11,000,000	*** Societe Financement de l'Economie Francaise	0.732	16-Jul-12	11,000,000	1.69
15,000,000	*** Societe Generale NY	1.284	15-Apr-10	15,013,539	2.31
12,000,000	*** Spanish Government Bond	0.565	29-Oct-12	11,984,078	1.84
38,700,000	*** Svenska Handelsbanken AB	1.110	21-May-10	38,698,046	5.95
41,000,000	*** The Toronto-Dominion Bank	1.516	10-Sep-10	41,000,000	6.30
				286,039,980	43.99
TOTAL TRANSFERABLE SECURITIES					
				498,892,521	76.72
TIME DEPOSITS†					
6,700,220	Commerzbank AG	0.230	1-Mar-10	6,700,220	1.03
36,152,656	Dexia Delaware LLC	0.230	1-Mar-10	36,152,656	5.56
				42,852,876	6.59
REPURCHASE AGREEMENTS#					
72,000,000	Barclays Bank PLC Repurchase Agreement dated 25 February 2010 at 0.250% to be repurchased at €72,001,500 on 1 March 2010 (collateralised by Bundersrepublik Deutschland, 4.250% due 4-Jul-14, market value €73,440,000)		1-Mar-10	72,000,000	11.07
36,000,000	UBS Warburg Repurchase Agreement dated 25 February 2010 at 0.220% to be repurchased at €36,000,660 on 1 March 2010 (collateralised by Bundersrepublik Deutschland, 4.000% due 4-Jan-37, market value €36,720,000)		1-Mar-10	36,000,000	5.54
				108,000,000	16.61
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS					
	Other Assets in Excess of Liabilities			540,772	0.08
				649,745,397	99.92
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE PARTICIPATING SHARES					
				650,286,169	100.00%
* All securities, except deposits with credit institutions and repurchase agreements, are transferable securities dealt in on a regulated market.					
** Rate reflects yield to maturity as at 28 February 2010.					
*** Reflects variable rate security as at 28 February 2010.					
† Deposits with credit institutions.					
# Money market instruments.					
ANALYSIS OF TOTAL ASSETS					
	Transferable securities dealt in on a regulated market				76.68%
	Money market instruments				16.60
	Deposits with credit institutions				6.59
	Other assets				0.13
	TOTAL ASSETS				100.00%

[^] Not authorised in Hong Kong and not available to Hong Kong residents. See Notes to Financial Statements.

Portfolio of Investments as at 28 February 2010 (unaudited) - (continued)

WESTERN ASSET EURO GOVERNMENT LIQUIDITY FUND[^]

Nominal	Issuer*	Coupon Rate/Yield %	Due On	Valuation €	% of Net Assets
TREASURY BILLS/CERTIFICATES					
10,000,000	** Dutch Treasury Certificate	0.280%	30-Apr-10	€9,995,336	14.63%
7,500,000	** Dutch Treasury Certificate	0.340	30-Jun-10	7,491,442	10.96
5,000,000	** Finnish Treasury Bill	0.340	13-Apr-10	4,997,971	7.31
7,500,000	** French Discount Treasury Bill	0.320	4-Mar-10	7,499,800	10.98
5,500,000	** French Discount Treasury Bill	0.276	15-Apr-10	5,498,107	8.05
100,000	** French Discount Treasury Bill	0.265	22-Apr-10	99,962	0.15
7,400,000	** French Discount Treasury Bill	0.492	20-May-10	7,393,735	10.82
3,000,000	** French Discount Treasury Bill	0.490	1-Jul-10	2,995,038	4.38
100,000	** French Discount Treasury Bill	0.415	12-Aug-10	99,811	0.14
2,500,000	** German Treasury Bill	0.435	17-Mar-10	2,499,518	3.66
100,000	** German Treasury Bill	0.400	14-Apr-10	99,951	0.15
4,000,000	** German Treasury Bill	0.600	28-Apr-10	3,996,120	5.85
100,000	** German Treasury Bill	0.450	12-May-10	99,910	0.15
1,000,000	** German Treasury Bill	0.405	30-Jun-10	998,192	1.46
				53,764,893	78.69
TOTAL TRANSFERABLE SECURITIES				53,764,893	78.69
REPURCHASE AGREEMENTS#					
10,900,000	Barclays Bank PLC Repurchase Agreement dated 25 February 2010 at 0.220% to be repurchased at €10,900,200 on 1 March 2010 (collateralised by Bundersrepublik Deutschland, 4.250% due 4-Jul-14, market value €11,118,000)		1-Mar-10	10,900,000	15.96
3,500,000	UBS Warburg Repurchase Agreement dated 25 February 2010 at 0.220% to be repurchased at €3,500,064 on 1 March 2010 (collateralised by Bundersrepublik Deutschland, 4.000% due 4-Jan-37, market value €3,570,000)		1-Mar-10	3,500,000	5.12
				14,400,000	21.08
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS				68,164,893	99.77
Other Assets in Excess of Liabilities				158,396	0.23
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE PARTICIPATING SHARES				68,323,289	100.00%

* All securities, except deposits with credit institutions and repurchase agreements, are transferable securities dealt in on a regulated market.

** Rate reflects yield to maturity as at 28 February 2010.

Money market instruments.

ANALYSIS OF TOTAL ASSETS

Transferable securities dealt in on a regulated market

Money market instruments

Other assets

TOTAL ASSETS

	% of Total Assets
Transferable securities dealt in on a regulated market	78.66%
Money market instruments	21.07
Other assets	0.27
TOTAL ASSETS	100.00%

[^] Not authorised in Hong Kong and not available to Hong Kong residents.
See Notes to Financial Statements.

Balance Sheet as at 28 February 2010 (unaudited)

Notes	Western Asset US Dollar Liquidity Fund \$	Western Asset Sterling Liquidity Fund [^] £	Western Asset Euro Liquidity Fund [^] €	Western Asset Euro Government Liquidity Fund [^] €	Total \$*
Current Assets					
Cash	168	232,931	250,098	167,385	924,179
Financial Assets at Fair Value through Profit or Loss	3,5				
- Transferable Securities	3,16	5,000,508,099	320,947,401	541,745,397	6,301,307,825
- Repurchase Agreements		-	80,000,000	108,000,000	288,747,440
Interest Receivable		3,277,551	35,980	567,362	4,106,108
Receivable from Investment Manager	8,9	-	10,600	-	16,616
Prepayments		104,955	14,623	18,613	22,432
Total Current Assets	5,003,890,773	401,241,535	650,581,470	68,355,314	6,595,285,354
Current Liabilities					
Dividend Distributions Payable to Holders of Redeemable Participating Shares	6	39,872	52,230	73,065	-
Payable for Investments Purchased		50,000,000	-	-	-
Investment Managers' Fee Payable	8,9	356,531	-	48,547	-
Administration, Transfer Agent Services and Custodian Fees Payable	8	89,401	7,658	13,530	1,282
Distribution Fee Payable	8,9	227,391	26,604	45,156	2,566
Accrued Expenses		353,987	56,180	115,003	28,177
Total Liabilities (Excluding Net Assets Attributable to Holders of Redeemable Participating Shares)		51,067,182	142,672	295,301	32,025
Total Net Assets Attributable to Holders of Redeemable Participating Shares		4,952,823,591	401,098,863	650,286,169	68,323,289
Number of Redeemable Participating Shares in issue					
Class D	7	4,370,233,869	304,060,307	488,048,971	68,323,289
Class S	7	365,533,251	93,368,750	149,855,076	-
Class C	7	1,380,500	2,027	42,200	-
Class P	7	59,758	2,237	12,433	-
Class WA	7	27,256,269	3,187,664	5,677,917	-
Net Asset Value per Share					
Class D	14	\$1.00	£1.00	€1.00	€1.00
Class S	14	\$1.00	£1.00	€1.00	-
Class C	14	\$132.5694	£109.4973	€125.8745	-
Class P	14	\$112.2175	£116.2844	€109.4827	-
Class WA	14	\$1.00	£1.00	€1.00	-

* The financial statements were translated using exchange rates as disclosed in Note 4.

[^] Not authorised in Hong Kong and not available to Hong Kong residents.
See Notes to Financial Statements.

WESTERN ASSET LIQUIDITY FUNDS PLC

Balance Sheet as at 31 August 2009 (audited)

Notes	Western Asset US Dollar Liquidity Fund \$	Western Asset Sterling Liquidity Fund [^] £	Western Asset Euro Liquidity Fund [^] €	Euro Liquidity Plus Fund ^{**^} €	Western Asset Euro Government Liquidity Fund [^] €	Total \$*
Current Assets						
Cash	648	288,833	259,133	29,835	65,561	979,345
Financial Assets at Fair Value through Profit or Loss	3,5					
- Transferable Securities	3,579,618,994	229,826,675	531,265,028	-	57,705,849	4,798,273,417
- Deposits with Credit Institutions	468,924,000	303,549,059	268,846,054	-	9,500,000	1,362,384,131
- Repurchase Agreements	-	185,000,000	105,000,000	-	-	451,864,000
- Financial Derivative Instruments	3,19	-	218,901	-	-	313,795
Receivable for Redeemable Participating Shares Sold	20,000,000	-	-	-	-	20,000,000
Receivable for Investments Sold	77,976,350	-	-	-	-	77,976,350
Interest Receivable	2,867,503	342,553	962,041	-	71	4,804,675
Receivable from Investment Manager	8,9	-	30,021	-	8,471	61,044
Other Assets	57,101	20,044	19,831	-	3,643	123,401
Total Current Assets	4,149,444,596	719,057,185	906,570,988	29,835	67,283,595	6,716,780,158
Current Liabilities						
Dividend Distributions Payable to Holders of Redeemable Participating Shares	6	224,065	76,196	173,096	617	597,198
Payable for Investments Purchased		77,975,873	95,000,000	-	-	232,721,373
Investment Managers' Fee Payable	8,9	323,034	-	94,341	-	458,272
Administration, Transfer Agent Services and Custodian Fees Payable	8	98,377	12,899	21,445	1,406	152,145
Distribution Fee Payable	8,9	273,033	59,221	68,415	2,813	471,604
Accrued Expenses		231,688	60,112	114,411	29,835	569,258
Total Liabilities (Excluding Net Assets Attributable to Holders of Redeemable Participating Shares)		79,126,070	95,208,428	471,708	29,835	27,771
Total Net Assets Attributable to Holders of Redeemable Participating Shares		4,070,318,526	623,848,757	906,099,280	-	67,255,824
Number of Redeemable Participating Shares in issue						
Class D	7	3,414,899,063	327,208,706	662,672,371	-	67,255,824
Class S	7	598,861,108	276,730,644	188,255,436	-	-
Class C	7	247,335	2,027	383,038	-	-
Class P	7	62,670	2,151	21,414	-	-
Class WA	7	16,610,590	19,438,045	4,743,640	-	-
Net Asset Value per Share						
Class D	14	\$1.00	£1.00	€1.00	-	€1.00
Class S	14	\$1.00	£1.00	€1.00	-	-
Class C	14	\$132.4341	£109.2414	€125.5431	-	-
Class P	14	\$112.1832	£116.1677	€109.2758	-	-
Class WA	14	\$1.00	£1.00	€1.00	-	-

* The financial statements were translated using exchange rates as disclosed in Note 4.

** Effective 15 October 2008, the Euro Liquidity Plus Fund[^] ceased trading and its authorisation by the Financial Regulator was subsequently revoked on 31 December 2009.

[^] Not authorised in Hong Kong and not available to Hong Kong residents.
See Notes to Financial Statements.

Profit and Loss Account for the six months ended 28 February 2010 (unaudited)

Notes	Western Asset US Dollar Liquidity Fund \$	Western Asset Sterling Liquidity Fund [^] £	Western Asset Euro Liquidity Fund [^] €	Western Asset Euro Government Liquidity Fund [^] €	Total \$*
Income					
Investment Income	8,018,620	1,366,973	2,776,861	130,414	14,442,903
Net Gain on Financial Assets at Fair Value through Profit or Loss					
Realised Gain on Investments	20,331	686	145,995	263	233,267
Change in Net Unrealised Appreciation of Investments	-	-	-	-	-
Total Net Gain on Financial Assets at Fair Value through Profit or Loss					
	20,331	686	145,995	263	233,267
Net Investment Income	8,038,951	1,367,659	2,922,856	130,677	14,676,170
Expenditure					
Distribution Fees	(1,308,313)	(235,854)	(325,267)	(17,259)	(2,186,335)
Investment Manager Fees	(4,284,497)	(305,610)	(921,227)	(69,037)	(6,213,601)
Administration, Transfer Agent Services and Custodian Fees	(499,870)	(62,120)	(100,284)	(8,629)	(758,206)
Audit Fees	(20,189)	(11,119)	(12,082)	(7,917)	(67,160)
Legal Fees	(50,102)	(6,210)	(10,328)	(821)	(76,306)
Other Expenses	(402,440)	(68,334)	(105,537)	(24,635)	(701,628)
Total Operating Expenses before Finance Costs					
	(6,565,411)	(689,247)	(1,474,725)	(128,298)	(10,003,236)
Less: Expenses reimbursed by Investment Manager	2,278,689	376,651	550,405	59,261	3,771,617
Net Expenses before Finance Costs					
	(4,286,722)	(312,596)	(924,320)	(69,037)	(6,231,619)
Net Income from Operations before Finance Costs					
	3,752,229	1,055,063	1,998,536	61,640	8,444,551
Finance Costs					
Dividend Distribution to Holders of Redeemable Participating Shares	(3,717,599)	(1,054,283)	(1,933,058)	(61,640)	(8,313,826)
Total Finance Costs					
	(3,717,599)	(1,054,283)	(1,933,058)	(61,640)	(8,313,826)
Adjustment from bid market value to fair value	-	-	-	-	-
Increase in Net Assets Attributable to Holders of Redeemable Participating Shares					
	34,630	780	65,478	-	130,725

There were no recognised gains or losses other than those set out in the above Profit and Loss Account, and thus a separate statement as required by FRS 3, is not necessary.

* The financial statements were translated using exchange rates as disclosed in Note 4.

Profit and Loss Account for the six months ended 28 February 2009 (unaudited)

Notes	Western Asset US Dollar Liquidity Fund \$	Western Asset Sterling Liquidity Fund [^] £	Western Asset Euro Liquidity Fund [^] €	Euro Liquidity Plus Fund ^{**^} €	Total \$*
Income					
Investment Income	38,181,806	12,738,726	31,849,783	142,264	100,861,038
Net Gain/(Loss) on Financial Assets at Fair Value through Profit or Loss					
Realised Gain/(Loss) on Investments	5 1,276,048	(61,495)	(6,719)	(1,684,121)	(1,077,472)
Change in Net Unrealised (Depreciation)/Appreciation of Investments	5 -	(865,928)	(3,206,621)	335,153	(5,190,812)
Total Net Gain/(Loss) on Financial Assets at Fair Value through Profit or Loss	1,276,048	(927,423)	(3,213,340)	(1,348,968)	(6,268,284)
Net Investment Income/(Loss)	39,457,854	11,811,303	28,636,443	(1,206,704)	94,592,754
Expenditure					
Distribution Fees	8,9 (1,092,183)	(213,979)	(524,752)	(1,513)	(2,130,191)
Investment Manager Fees	8,9 (2,779,644)	(301,404)	(1,053,908)	(5,026)	(4,665,787)
Administration, Transfer Agent Services and Custodian Fees	8 (422,631)	(71,173)	(189,041)	(756)	(787,584)
Audit Fees	8 (20,895)	(10,481)	(12,330)	(2,216)	(56,747)
Legal Fees	(58,497)	(9,908)	(25,852)	(95)	(108,667)
Other Expenses	(299,825)	(57,630)	(203,906)	(25,056)	(695,825)
Total Operating Expenses before Finance Costs	(4,673,675)	(664,575)	(2,009,789)	(34,662)	(8,444,801)
Less: Expenses reimbursed by Investment Manager	8,9 1,896,557	363,534	956,231	6,054	3,751,096
Net Expenses before Finance Costs	(2,777,118)	(301,041)	(1,053,558)	(28,608)	(4,693,705)
Net Income/(Loss) from Operations before Finance Costs	36,680,736	11,510,262	27,582,885	(1,235,312)	89,899,049
Finance Costs					
Dividend Distribution to Holders of Redeemable Participating Shares	6 (32,847,100)	(12,131,304)	(29,943,863)	-	(91,839,834)
Total Finance Costs	(32,847,100)	(12,131,304)	(29,943,863)	-	(91,839,834)
Adjustment from bid market value to fair value	3 -	865,928	3,206,621	-	5,319,886
Increase/(Decrease) in Net Assets Attributable to Holders of Redeemable Participating Shares	3,833,636	244,886	845,643	(1,235,312)	3,379,101

There were no recognised gains or losses other than those set out in the above Profit and Loss Account, and thus a separate statement as required by FRS 3, is not necessary.

* The financial statements were translated using exchange rates as disclosed in Note 4.

** Effective 15 October 2008, the Euro Liquidity Plus Fund[^] ceased trading and its authorisation by the Financial Regulator was subsequently revoked on 31 December 2009.

Statement of Changes in Net Assets Attributable to Holders of Redeemable Participating Shares for the six months ended 28 February 2010 (unaudited)

Notes	Western Asset US Dollar Liquidity Fund \$	Western Asset Sterling Liquidity Fund [^] £	Western Asset Euro Liquidity Fund [^] €	Western Asset Euro Government Liquidity Fund [^] €	Total \$*
Net Assets Attributable to Holders of Redeemable Participating Shares					
Beginning of period	4,070,318,526	623,848,757	906,099,280	67,255,824	6,481,810,308
Net Increase in Net Assets Attributable to Holders of Redeemable Participating Shares	34,630	780	65,478	-	130,725
REDEEMABLE PARTICIPATING SHARE TRANSACTIONS					
Proceeds from Redeemable Participating Shares Subscribed	7 10,312,532,970	1,734,064,149	3,605,510,324	42,926,248	18,404,707,140
Net Asset Value of Redeemable Participating Shares Issued for Reinvestment of Distributions	7 3,201,851	563,764	1,280,970	59,857	6,056,730
Cost of Redeemable Participating Shares Redeemed	7 (9,433,264,386)	(1,957,378,587)	(3,862,669,883)	(41,918,640)	(18,258,058,828)
Increase/(Decrease) in Net Assets from Redeemable Participating Shares Transactions	882,470,435	(222,750,674)	(255,878,589)	1,067,465	152,705,043
Increase/(Decrease) in Net Assets Attributable to Holders of Redeemable Participating Shares	882,505,065	(222,749,894)	(255,813,111)	1,067,465	152,835,768
Currency Translation	4 -	-	-	-	(91,091,485)
End of period	14 4,952,823,591	401,098,863	650,286,169	68,323,289	6,543,554,591

* The financial statements were translated using exchange rates as disclosed in Note 4.

[^] Not authorised in Hong Kong and not available to Hong Kong residents. See Notes to Financial Statements.

Statement of Changes in Net Assets Attributable to Holders of Redeemable Participating Shares for the six months ended 28 February 2009 (unaudited)

Notes	Western Asset US Dollar Liquidity Fund \$	Western Asset Sterling Liquidity Fund [^] £	Western Asset Euro Liquidity Fund [^] €	Euro Liquidity Plus Fund ^{**^} €	Total \$*
Net Assets Attributable to Holders of Redeemable Participating Shares					
Beginning of period	4,929,311,906	847,385,101	3,205,110,983	30,756,027	11,248,415,634
Net Increase/(Decrease) in Net Assets Attributable to Holders of Redeemable Participating Shares	3,833,636	244,886	845,643	(1,235,312)	3,379,101
REDEEMABLE PARTICIPATING SHARE TRANSACTIONS					
Proceeds from Redeemable Participating Shares Subscribed	7 11,058,276,211	3,769,552,694	6,627,653,846	-	25,815,812,999
Net Asset Value of Redeemable Participating Shares Issued for Reinvestment of Distributions	7 28,449,829	5,983,597	22,063,260	-	67,283,756
Cost of Redeemable Participating Shares Redeemed	7 (12,243,919,001)	(4,197,227,159)	(8,764,971,520)	(29,520,715)	(30,564,519,148)
Decrease in Net Assets from Redeemable Participating Shares Transactions	(1,157,192,961)	(421,690,868)	(2,115,254,414)	(29,520,715)	(4,681,422,393)
Decrease in Net Assets Attributable to Holders of Redeemable Participating Shares	(1,153,359,325)	(421,445,982)	(2,114,408,771)	(30,756,027)	(4,678,043,292)
Currency Translation	4 -	-	-	-	(796,387,974)
End of period	14 3,775,952,581	425,939,119	1,090,702,212	-	5,733,984,368

* The financial statements were translated using exchange rates as disclosed in Note 4.

** Effective 15 October 2008, the Euro Liquidity Plus Fund[^] ceased trading and its authorisation by the Financial Regulator was subsequently revoked on 31 December 2009.

Notes to Financial Statements

1. Organisation

Western Asset Liquidity Funds plc (the "Company"), was incorporated on 19 February 1996 and was authorised in Ireland as an undertaking for collective investment in transferable securities pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2003 (as amended). The Company commenced trading on 19 April 1996. Effective 1 May 2006, the Company is authorised subject to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2003 (S.I. 211 of 2003), as amended, (the "Regulations").

With effect from 1 June 2009 the Company changed its name from Citi Institutional Liquidity Fund plc to Western Asset Liquidity Funds plc. In addition, and also as of 1 June 2009, the names of the following Funds of the Company were renamed as follows:

Fund Name	New Fund Name
USD Liquidity Fund	Western Asset US Dollar Liquidity Fund
Euro Liquidity Fund [^]	Western Asset Euro Liquidity Fund [^]
Sterling Liquidity Fund [^]	Western Asset Sterling Liquidity Fund [^]

Effective 4 May 2009, Western Asset Euro Government Liquidity Fund[^] commenced trading.

The Company is constituted as an umbrella fund insofar as the share capital of the Company (the "Shares" or "Redeemable Participating Shares") are divided into different classes of shares, with each class relating to a portfolio of assets which comprise a separate fund (a "Fund"). Shares in any particular Fund may be divided into different classes to accommodate different subscriptions and/or redemption provisions and/or charges and/or fee arrangements. Although each Fund will be treated as bearing its own liabilities, the Company as a whole will remain liable to third parties for all of the liabilities of the Company.

At 28 February 2010, four active Funds were in existence - Western Asset US Dollar Liquidity Fund, Western Asset Sterling Liquidity Fund[^], Western Asset Euro Liquidity Fund[^] and Western Asset Euro Government Liquidity Fund[^].

As disclosed in Note 19, the Financial Regulator revoked authorisation for the Western Asset Euro Liquidity Plus Fund[^] on 31 December 2009.

The Class D Shares and the Class S Shares for each Fund are listed on the Irish Stock Exchange.

Western Asset US Dollar Liquidity Fund has been authorised by the Securities and Futures Commission in Hong Kong. Western Asset Euro Liquidity Fund[^], Western Asset Sterling Liquidity Fund[^], and Euro Government Liquidity Fund[^] are not authorised by the Securities and Futures Commission in Hong Kong and hence are not available for investment to Hong Kong Residents. The authorisation by the Securities and Futures Commission of Hong Kong does not imply recommendation of Western Asset US Dollar Liquidity Fund.

The Company is registered with the relevant authorities in the following countries: Chile*, France, Germany, Ireland, Italy**, Greece, Luxembourg, Spain and the U.K.

* In Chile, Western Asset US Dollar Liquidity Fund, Western Asset Euro Liquidity Fund[^] and Western Asset Sterling Liquidity Fund[^] are not publicly registered but are authorised by the Comisión Clasificadora de Riesgos ("CCR") for offering locally to Chilean Pension Funds.

** In Italy, the Company will only be marketed to institutions which qualify as "professional investors" as defined in article 31 of CONSOB Regulation enacted with Resolution no. 11522 of 1 July 1998, as amended (e.g. the in-house treasury operations of large companies) or to institutions which carry out asset management activity on a discretionary basis.

2. Investment Objectives

The investment objective of Western Asset US Dollar Liquidity Fund, Western Asset Sterling Liquidity Fund[^], Western Asset Euro Liquidity Fund[^] and Western Asset Euro Government Liquidity Fund[^] is to maintain capital value while seeking to produce a money market return to investors.

The Investment Managers to the Company believe that their investment practices and disciplined approach to investing in US Dollar, Euro and Sterling denominated securities will enable the Company to achieve its stated policies, although this cannot be guaranteed.

3. Significant Accounting Policies

The following are significant accounting policies consistently followed by the Company and are in conformity with financial reporting standards in Ireland. Estimates and assumptions are required to be made by the Directors regarding assets, liabilities and changes in net asset values resulting from operations when financial statements are prepared. Changes in the economic environment, financial markets and any other parameters used in determining these estimates could cause actual results to differ.

[^] Not authorised in Hong Kong and not available to Hong Kong residents.

Notes to Financial Statements - (continued)

3. Significant Accounting Policies - (continued)**(a) Basis of Preparation**

The financial statements have been prepared in accordance with the accounting standards generally accepted in Ireland and Irish statute comprising the Companies Acts, 1963 to 2009 (the "Companies Acts"), and all Regulations to be construed as one with those Acts including the European Communities (Undertakings for Collective Investment of Transferable Securities) Regulations, 2003 (as amended) (S.I. No. 211 of 2003). Accounting standards generally accepted in Ireland in preparing financial statements giving a true and fair view are those as promulgated by the Institute of Chartered Accountants in Ireland issued by the Accounting Standards Board.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all reporting periods presented, unless otherwise stated.

The financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets and financial liabilities held at fair value through profit or loss.

All reference to net assets throughout this document refers to the net assets attributable to holders of redeemable participating shares unless otherwise stated. The Company is organised into one main business segment. All the Company's assets and liabilities are held for the purposes of being traded or expected to be realised within one year.

The Company adopted the amendment to FRS 29, effective 1 January 2009.

The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendment results in additional disclosures but does not have an impact on the Fund's financial position or performance. These additional disclosures are included in Note 15 Risk Exposure and Risk Management.

(b) Basis of Presentation

The format and certain wording of the financial statements have been adapted from those contained in the Companies (Amendment) Act 1986 so that, in the opinion of the Directors, they more appropriately reflect the nature of the Company's investment business.

The information required by FRS 3 "Reporting Financial Performance" to be included in a Statement of Total Recognised Gains and Losses, and a reconciliation of movement in shareholders funds is, in the opinion of the Directors, contained in the Profit and Loss Account and Statement of Changes in Net Assets attributable to holders of Redeemable Participating Shares.

The Company has availed of the exemption available to open-ended investment funds under FRS 1 "Cash Flow Statements" not to prepare a cash flow statement.

(c) Financial Instruments

The Company has classified all its investment securities and derivatives as held for trading and are at fair value through profit or loss. Financial assets and financial liabilities held for trading are securities which are either acquired for generating a profit from short term fluctuations in price or dealer margins, or are included in a portfolio where a pattern of short term trading exists. While certain positions within the portfolio are held with a view to long term capital gains, the fund also undertakes short term trading and accordingly the Directors have classified the portfolio as held for trading.

Regular-way purchases and sales of financial assets and financial liabilities are recognised on trade date, the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value for all financial assets carried at fair value through profit or loss, transaction costs, if any, are expensed as incurred. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership.

Financial assets that are classified as loans and receivables include receivables for redeemable shares sold, interest receivable and receivables from Investment Manager.

Financial liabilities that are not fair value through profit and loss include payable for redeemable shares purchased, payable for investments purchased and accrued expenses.

Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the Profit and Loss Account in the period in which they arise.

The fair value of investments traded in active markets (such as publicly traded derivatives and trading securities) is based on quoted market prices at the balance sheet date without any deduction for future selling costs.

The Company may from time to time invest in financial instruments that are not traded in an active market (for example in over-the-counter derivatives). The fair value is estimated by using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Valuation techniques used include the use of comparable recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants.

Notes to Financial Statements - (continued)

3. Significant Accounting Policies - (continued)**(c) Financial Instruments - (continued)**

Certain securities may be valued on the basis of a price provided by a single broker. Some Funds may invest in securities with contractual cash flows, such as asset backed securities, medium term notes and certificates of deposit, including securities backed by sub-prime mortgage loans. The value, liquidity and related income of these securities are sensitive to changes in economic conditions, including real estate values, delinquencies and/or defaults, and may be adversely affected by shifts in the market's perception of the issuers and changes in interest rates.

(d) Accounting for Investments

Investment transactions are accounted for on trade date. Investments are initially recognised at fair value and transaction costs for all "fair valued through profit or loss" securities are expensed as incurred. Gains and losses on the sale of investments are calculated by using the First-in-First-Out ("FIFO") method. Realised gains/losses on investments arising during the period are disclosed in the Profit and Loss Account.

(e) Capital Support Agreements and Letters of Credit*Capital Support Agreements*

As at 28 February 2010 the amended Capital Support Agreement entered into on 29 September 2009 had not been utilised by the Western Asset Euro Liquidity Fund[^].

The recognition of the Capital Support Agreement as a derivative results in an offset against unrealised losses in the Profit and Loss Account.

Letters of Credit

There are no Letters of Credit in place for the Funds as at 28 February 2010.

(f) Income from Investments

Interest income and expenses are recognised in the Profit and Loss Account for all debt instruments using the effective yield method.

The Investment Manager monitors interest income receivable for any delinquent interest receivable amounts. The accounts have been reviewed for delinquent interest receivable and as at 28 February 2010 and 31 August 2009 all amounts were deemed to be recoverable.

(g) Expenses

The Funds operating expenses are based on a percentage of the average daily net asset value of each Fund on an annual basis. All expenses are charged on an accrual basis.

(h) Net Asset Value

The net asset value per redeemable participating share of each Fund's share class is determined by dividing the net asset value of the relevant class of share in the relevant Fund by the total number of redeemable participating shares outstanding in the relevant class of share of the relevant Fund.

(i) Dividends and Distributions to Holders of Redeemable Participating Shares

For Western Asset US Dollar Liquidity Fund, Western Asset Sterling Liquidity Fund[^], Western Asset Euro Liquidity Fund[^] and Western Asset Euro Government Liquidity Fund[^] on the Class D, Class S and Class WA shares, dividends are declared daily and distributed monthly. Class C and Class P shares do not distribute dividends and any net investment income attributable to these shares will be retained by such class within the relevant Funds and the Net Asset Value per share will accordingly reflect such net investment income.

(j) Non-Base Currency Translation

Any non-base currency assets and liabilities of the relevant Fund at 28 February 2010 and 31 August 2009 are translated into the base currency at the exchange rate ruling at the period end.

Transactions denominated in non-base currencies are translated into the base currency of the relevant Fund and recorded at the exchange rates prevailing at the date of the transactions. Any resulting exchange differences are dealt with in the Profit and Loss Account.

Each Fund's functional currency has been adopted as the presentation currency of each Fund for these financial statements. The Company's presentation currency is US dollars.

[^] Not authorised in Hong Kong and not available to Hong Kong residents.

Notes to Financial Statements - (continued)**3. Significant Accounting Policies - (continued)****(k) Futures Contracts**

Initial margin deposits made upon entering into futures contracts are recognised as assets. Securities equal to the initial margin amount are segregated by the Custodian in the name of the broker on the account of the Fund which has entered into the trade. Additional securities are also segregated up to the current market value of the futures contract. During the period the futures contract is open, changes in the value of the contract are recognised as unrealised gains or losses by "marking-to-market" on a daily basis to reflect the market value of the contract at the end of each day's trading. Variation margin payments are made or received and recognised as assets due from or liabilities due to the brokers, depending upon whether unrealised gains or losses are incurred. When the contract is closed, the relevant Fund records a realised gain or loss equal to the difference between the proceeds from (or cost of) the closing transaction and the relevant Fund's basis in the contract. There were no futures contracts held by the Funds as at 28 February 2010.

(l) Repurchase Agreements

Securities purchased under agreements to resell are fair valued at their face value and adjusted for any movements in foreign exchange rates. Interest rates vary for each repurchase agreement and are set at the initiation of the agreement. It is the Company's policy to take custody of securities purchased under repurchase agreements and to value the securities on a daily basis to protect the Company in the event the securities are not repurchased by the counterparty. The Company will generally obtain additional collateral if the market value of the underlying securities is less than the face value of the repurchase agreement plus any accrued interest. In the event of default on the obligation to repurchase, the Company has the right to liquidate the collateral and apply the proceeds in satisfaction of the obligation. In the event of default or bankruptcy by the counterparty to the agreement, realisation and/or retention of the collateral or proceeds may be subject to legal proceedings. Repurchase agreements have been used during the period for the purpose of efficient portfolio management.

(m) Cash

Cash balances of the Funds are held with PNC International Bank Limited.

4. Exchange Rates

Items included in the Fund's financial statements are measured using the currency of the primary economic environment in which the Fund operates (the "functional currency"). The Company has adopted the functional currency of each Fund as the presentation currency for these financial statements. The financial statements of the Company are presented in US dollars. The functional currencies of each Fund are as follows:

Western Asset US Dollar Liquidity Fund - US dollars (\$)

Western Asset Sterling Liquidity Fund[^] - Sterling pounds (£)

Western Asset Euro Liquidity Fund[^] and Western Asset Euro Government Liquidity Fund[^] - Euro (€)

The functional currencies for the Funds that have ceased to trade are as follows:

Euro Liquidity Plus Fund[^] - Euro (€)

For the period ended 28 February 2010 and 31 August 2009 the following exchange rates were used to translate the Balance Sheets of the non-US denominated Funds in arriving at the total US dollar value for the Company in the financial statements:

	28 February 2010	31 August 2009
€/\$	1.3631	1.4335
£/\$	1.5238	1.6289

For the period ended 28 February 2010 and 28 February 2009, the Profit and Loss Accounts and Statement of Changes in Net Assets Attributable to holders of Redeemable Participating Shares of the non-US denominated Funds have used the average rate of exchange in arriving at the total US dollar value of the Company in the financial statements:

	28 February 2010	28 February 2009
€/\$	1.4483	1.3349
£/\$	1.6194	1.5679

[^] Not authorised in Hong Kong and not available to Hong Kong residents.

Notes to Financial Statements - (continued)

4. Exchange Rates - (continued)

To properly reflect the US dollar values in the financial statements of the Company, currency translation adjustments need to be made to the total US dollar value of the retained profits and net assets at the beginning of the period. The adjustment is the effect of translating the prior period closing retained profits and total net assets at the current period closing non-US exchange rate as stated above. The adjustments recorded were \$91,091,485 (28 February 2009: \$796,387,974) to the Statement of Changes in Net Assets attributable to holders of Redeemable Participating Shares. Similar non-US currency adjustments have also been made in Notes 6 and 7 to the Notes to Financial Statements.

5. Net Gain/(Loss) on Financial Assets and Financial Liabilities at Fair Value through Profit or Loss

Net Gain/(Loss) on financial assets and financial liabilities at fair value through profit or loss for the period ended 28 February 2010 and 28 February 2009 were as follows:

For the period ended 28 February 2010

	Western Asset US Dollar Liquidity Fund \$	Western Asset Sterling Liquidity Fund ^A £	Western Asset Euro Liquidity Fund ^A €	Western Asset Euro Government Liquidity Fund ^A €	Total \$
Net realised gain on financial instruments held for trading	20,331	686	145,995	263	233,267
Net unrealised gain of financial instruments held for trading	-	-	-	-	-
	20,331	686	145,995	263	233,267

For the period ended 28 February 2009

	Western Asset US Dollar Liquidity Fund \$	Western Asset Sterling Liquidity Fund ^A £	Western Asset Euro Liquidity Fund ^A €	USD Liquidity Plus Fund \$	Sterling Liquidity Plus Fund ^A £	Euro Liquidity Plus Fund ^A €	Total \$
Net realised gain/(loss) on financial instruments held for trading	1,276,048	(61,495)	(6,719)	-	-	(1,684,121)	(1,077,472)
Net unrealised (loss)/gain of financial instruments held for trading	-	(865,928)	(3,206,621)	-	-	335,153	(5,190,812)
	1,276,048	(927,423)	(3,213,340)	-	-	(1,348,968)	(6,268,284)

^A Not authorised in Hong Kong and not available to Hong Kong residents.

Notes to Financial Statements - (continued)

6. Dividends and Distributions Payable

For the period ended 28 February 2010:

	Western Asset US Dollar Liquidity Fund \$	Western Asset Sterling Liquidity Fund [^] £	Western Asset Euro Liquidity Fund [^] €	Western Asset Euro Government Liquidity Fund [^] €	Total \$
Dividend distribution payable at beginning of period - Class D	210,330	70,405	168,743	617	567,790
Dividend distribution payable at beginning of period - Class S	6,153	4	1,385	-	8,145
Dividend distribution payable at beginning of period - Class WA	7,582	5,787	2,968	-	21,263
Total dividend distributions payable at beginning of period	224,065	76,196	173,096	617	597,198
Currency Translation	-	-	-	-	(9,371)
Dividend distributions to holders of redeemable participating shares accrued during the period - Class D	3,544,671	783,542	1,601,990	61,640	7,222,974
Dividend distributions to holders of redeemable participating shares accrued during the period - Class S	129,332	238,272	311,435	-	966,241
Dividend distributions to holders of redeemable participating shares accrued during the period - Class WA	43,596	32,469	19,633	-	124,611
Total dividend distributions to holders of redeemable participating shares accrued during the period	3,717,599	1,054,283	1,933,058	61,640	8,313,826
Dividend distributions paid in the period - Class D	3,718,275	804,289	1,701,384	62,257	7,575,022
Dividend distributions paid in the period - Class S	135,222	238,267	311,483	-	972,192
Dividend distributions paid in the period - Class WA	48,295	35,693	20,222	-	135,384
Total dividend distributions paid in the period	3,901,792	1,078,249	2,033,089	62,257	8,682,598
Dividend distributions payable at end of period - Class D	36,726	49,658	69,349	-	206,925
Dividend distributions payable at end of period - Class S	263	9	1,337	-	2,099
Dividend distributions payable at end of period - Class WA	2,883	2,563	2,379	-	10,031
Total dividend distributions payable at end of the period	39,872	52,230	73,065	-	219,055

[^] Not authorised in Hong Kong and not available to Hong Kong residents.

Notes to Financial Statements - (continued)

6. Dividends and Distributions Payable - (continued)

For the year ended 31 August 2009:

	Western Asset US Dollar Liquidity Fund \$	Western Asset Sterling Liquidity Fund ^A £	Western Asset Euro Liquidity Fund ^A €	Euro Liquidity Plus Fund ^A €	Western Asset Euro Government Liquidity Fund ^A €	Total \$
Dividend distribution payable at beginning of year - Class D	1,440,027	1,779,399	3,055,519	-	-	9,199,347
Dividend distribution payable at beginning of year - Class S	39,314	-	17,938	-	-	65,746
Dividend distribution payable at beginning of year - Class WA	130,939	63,174	60,803	-	-	336,164
Total dividend distributions payable at beginning of year	1,610,280	1,842,573	3,134,260	-	-	9,601,257
Currency Translation	-	-	-	-	-	(869,308)
Dividend distributions to holders of redeemable participating shares accrued during the year - Class D	41,681,692	11,283,721	30,204,578	-	113,020	100,200,493
Dividend distributions to holders of redeemable participating shares accrued during the year - Class S	4,460,367	2,626,386	4,867,461	-	-	15,123,489
Dividend distributions to holders of redeemable participating shares accrued during the year - Class WA	563,224	271,183	299,938	-	-	1,390,455
Total dividend distributions to holders of redeemable participating shares accrued during the year	46,705,283	14,181,290	35,371,977	-	113,020	116,714,437
Dividend distributions paid in the year - Class D	42,911,389	12,992,715	33,091,354	-	112,403	107,988,928
Dividend distributions paid in the year - Class S	4,493,528	2,626,382	4,884,014	-	-	15,179,007
Dividend distributions paid in the year - Class WA	686,581	328,570	357,773	-	-	1,681,253
Total dividend distributions paid in the year	48,091,498	15,947,667	38,333,141	-	112,403	124,849,188
Dividend distributions payable at end of year - Class D	210,330	70,405	168,743	-	617	567,790
Dividend distributions payable at end of year - Class S	6,153	4	1,385	-	-	8,145
Dividend distributions payable at end of year - Class WA	7,582	5,787	2,968	-	-	21,263
Total dividend distributions payable at end of the year	224,065	76,196	173,096	-	617	597,198

For Western Asset US Dollar Liquidity Fund, Western Asset Sterling Liquidity Fund^A, Western Asset Euro Liquidity Fund^A and Western Asset Euro Government Liquidity Fund^A, Class D, Class S and Class WA shares, dividends are declared daily and distributed monthly. Dividends are distributed in the form of additional shares in those classes, or in cash, at the election of the shareholder.

Class D, Class S and Class WA shares seek to maintain a constant Net Asset Value per Redeemable Participating Share of 1 unit per 1.00 of the relevant base currency but there is no assurance that they will be able to do so. Class C and Class P shares do not distribute dividends and any net investment income attributable to these shares will be retained by such class within the relevant Funds and the Net Asset Value per Redeemable Participating Share will accordingly reflect such net investment income.

7. Paid in Capital

Authorised Redeemable Participating Shares

The authorised share capital of the Company is comprised of €38,092.14 divided into 30,000 subscriber shares of €1.269738 each and 500,000,000,000 shares of no par value initially designated as unclassified redeemable participating shares, which have subsequently been classified as D, S, C, P and WA shares. The subscriber shares do not form part of the Net Asset Value of the Company.

^A Not authorised in Hong Kong and not available to Hong Kong residents.

Notes to Financial Statements - (continued)

7. Paid in Capital - (continued)

Details of share transactions for the period ended 28 February 2010 were as follows:

	Western Asset US Dollar Liquidity Fund Shares	Western Asset Sterling Liquidity Fund ^A Shares	Western Asset Euro Liquidity Fund ^A Shares	Western Asset Euro Government Liquidity Fund ^A Shares
Class D - Balance beginning of period	3,414,899,063	327,208,706	662,672,371	67,255,824
Redeemable participating shares subscribed	8,285,446,335	1,406,259,377	3,115,121,648	42,926,248
Redeemable participating shares reinvested	3,068,504	325,802	984,704	59,857
Redeemable participating shares redeemed	(7,333,180,033)	(1,429,733,578)	(3,290,729,752)	(41,918,640)
Balance end of period	4,370,233,869	304,060,307	488,048,971	68,323,289
Class S - Balance beginning of period	598,861,108	276,730,644	188,255,436	-
Redeemable participating shares subscribed	1,089,453,572	221,574,821	397,957,270	-
Redeemable participating shares reinvested	120,831	237,962	296,266	-
Redeemable participating shares redeemed	(1,322,902,260)	(405,174,677)	(436,653,896)	-
Balance end of period	365,533,251	93,368,750	149,855,076	-
Class C - Balance beginning of period	247,335	2,027	383,038	-
Redeemable participating shares subscribed	3,130,996	-	2,387	-
Redeemable participating shares reinvested	-	-	-	-
Redeemable participating shares redeemed	(1,997,831)	-	(343,225)	-
Balance end of period	1,380,500	2,027	42,200	-
Class P - Balance beginning of period	62,670	2,151	21,414	-
Redeemable participating shares subscribed	60,647	86	-	-
Redeemable participating shares reinvested	-	-	-	-
Redeemable participating shares redeemed	(63,559)	-	(8,981)	-
Balance end of period	59,758	2,237	12,433	-
Class WA - Balance beginning of period	16,610,590	19,438,045	4,743,640	-
Redeemable participating shares subscribed	515,923,791	106,219,951	92,131,406	-
Redeemable participating shares reinvested	12,517	-	-	-
Redeemable participating shares redeemed	(505,290,629)	(122,470,332)	(91,197,129)	-
Balance end of period	27,256,269	3,187,664	5,677,917	-

^A Not authorised in Hong Kong and not available to Hong Kong residents.

Notes to Financial Statements - (continued)

7. Paid in Capital - (continued)

Details of capital transactions for the period ended 28 February 2010 were as follows:

	Western Asset US Dollar Liquidity Fund \$	Western Asset Sterling Liquidity Fund ^A £	Western Asset Euro Liquidity Fund ^A €	Western Asset Euro Government Liquidity Fund ^A €	Total \$
Balance beginning of period	4,058,327,843	622,922,306	873,504,072	67,255,824	6,401,768,727
Currency Translation	-	-	-	-	27,822,056
Issue Proceeds - Class D	8,285,446,335	1,406,259,377	3,115,121,648	42,926,248	15,136,543,538
Issue Proceeds - Class S	1,089,453,572	221,574,821	397,957,270	-	2,024,633,351
Issue Proceeds - Class C	414,904,563	-	300,000	-	415,339,053
Issue Proceeds - Class P	6,804,709	10,000	-	-	6,820,903
Issue Proceeds - Class WA	515,923,791	106,219,951	92,131,406	-	821,370,295
Issue Proceeds - Total	<u>10,312,532,970</u>	<u>1,734,064,149</u>	<u>3,605,510,324</u>	<u>42,926,248</u>	<u>18,404,707,140</u>
Reinvestment of dividend distributions - Class D	3,068,504	325,802	984,704	59,857	5,108,945
Reinvestment of dividend distributions - Class S	120,830	237,962	296,266	-	935,268
Reinvestment of dividend distributions - Class C	-	-	-	-	-
Reinvestment of dividend distributions - Class P	-	-	-	-	-
Reinvestment of dividend distributions - Class WA	12,517	-	-	-	12,517
Reinvestment of dividend distributions - Total	<u>3,201,851</u>	<u>563,764</u>	<u>1,280,970</u>	<u>59,857</u>	<u>6,056,730</u>
Redemptions - Class D	(7,333,180,033)	(1,429,733,578)	(3,290,729,753)	(41,918,640)	(14,475,165,257)
Redemptions - Class S	(1,322,902,260)	(405,174,677)	(436,653,893)	-	(2,611,447,965)
Redemptions - Class C	(264,759,645)	-	(43,107,696)	-	(327,192,521)
Redemptions - Class P	(7,131,819)	-	(981,412)	-	(8,553,198)
Redemptions - Class WA	(505,290,629)	(122,470,332)	(91,197,129)	-	(835,699,887)
Redemptions - Total	<u>(9,433,264,386)</u>	<u>(1,957,378,587)</u>	<u>(3,862,669,883)</u>	<u>(41,918,640)</u>	<u>(18,258,058,828)</u>
Balance end of period	<u>4,940,798,278</u>	<u>400,171,632</u>	<u>617,625,483</u>	<u>68,323,289</u>	<u>6,582,295,825</u>

^A Not authorised in Hong Kong and not available to Hong Kong residents.

Notes to Financial Statements - (continued)

7. Paid in Capital - (continued)

Details of share transactions for the period ended 28 February 2009 were as follows:

	Western Asset US Dollar Liquidity Fund Shares	Western Asset Sterling Liquidity Fund ^A Shares	Western Asset Euro Liquidity Fund ^A Shares	USD Liquidity Plus Fund ^A Shares	Sterling Liquidity Plus Fund ^A Shares	Euro Liquidity Plus Fund ^A Shares
Class D - Balance beginning of period	4,455,441,871	735,488,859	2,685,806,783	-	-	-
Redeemable participating shares subscribed	9,446,217,578	3,164,275,724	6,106,465,292	-	-	-
Redeemable participating shares reinvested	25,527,964	4,405,090	18,181,910	-	-	-
Redeemable participating shares redeemed	(10,534,978,633)	(3,722,525,978)	(7,840,766,834)	-	-	-
Balance end of period	3,392,208,780	181,643,695	969,687,151	-	-	-
Class S - Balance beginning of period	338,863,498	92,183,603	390,134,541	-	-	-
Redeemable participating shares subscribed	1,172,789,414	495,532,165	405,043,316	-	-	-
Redeemable participating shares reinvested	2,893,903	1,578,507	3,881,350	-	-	-
Redeemable participating shares redeemed	(1,166,235,193)	(354,410,027)	(702,034,967)	-	-	-
Balance end of period	348,311,622	234,884,248	97,024,240	-	-	-
Class C - Balance beginning of period	432,989	88,139	937,860	-	-	250,828
Redeemable participating shares subscribed	156,487	2,144	23,113	-	-	-
Redeemable participating shares reinvested	-	-	-	-	-	-
Redeemable participating shares redeemed	(464,764)	(88,256)	(899,723)	-	-	(250,828)
Balance end of period	124,712	2,027	61,250	-	-	-
Class P - Balance beginning of period	374,653	1,445	5,529	-	-	-
Redeemable participating shares subscribed	27,166	-	6,597	-	-	-
Redeemable participating shares reinvested	-	-	-	-	-	-
Redeemable participating shares redeemed	(347,742)	-	(1,291)	-	-	-
Balance end of period	54,077	1,445	10,835	-	-	-
Class WA - Balance beginning of period	41,816,962	10,351,015	13,871,666	-	-	-
Redeemable participating shares subscribed	415,691,771	109,514,804	112,589,548	-	-	-
Redeemable participating shares reinvested	27,962	-	-	-	-	-
Redeemable participating shares redeemed	(443,318,557)	(110,729,433)	(111,284,227)	-	-	-
Balance end of period	14,218,138	9,136,386	15,176,987	-	-	-

^A Not authorised in Hong Kong and not available to Hong Kong residents.

Notes to Financial Statements - (continued)

7. Paid in Capital - (continued)

Details of capital transactions for the period ended 28 February 2009 were as follows:

	Western Asset US Dollar Liquidity Fund \$	Western Asset Sterling Liquidity Fund [^] £	Western Asset Euro Liquidity Fund [^] €	USD Liquidity Plus Fund \$	Sterling Liquidity Plus Fund [^] £	Euro Liquidity Plus Fund [^] €	Total \$
Balance beginning of period	4,922,651,159	846,818,108	3,173,560,401	(17,175,800)	(9,000,328)	15,696,808	11,355,832
Currency Translation	-	-	-	-	-	-	(940,769,490)
Issue Proceeds - Class D	9,446,217,579	3,164,275,724	6,106,465,292	-	-	-	22,559,006,004
Issue Proceeds - Class S	1,172,789,414	495,532,166	405,043,316	-	-	-	2,490,426,620
Issue Proceeds - Class C	20,562,557	230,000	2,845,000	-	-	-	24,720,965
Issue Proceeds - Class P	3,014,890	-	710,690	-	-	-	3,663,590
Issue Proceeds - Class WA	415,691,771	109,514,804	112,589,548	-	-	-	737,695,820
Issue Proceeds - period	<u>11,058,276,211</u>	<u>3,769,552,694</u>	<u>6,627,653,846</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,815,812,999</u>
Reinvestment of dividend distributions - Class D	25,527,964	4,405,090	18,181,909	-	-	-	56,705,736
Reinvestment of dividend distributions - Class S	2,893,903	1,578,507	3,881,349	-	-	-	10,550,058
Reinvestment of dividend distributions - Class C	-	-	-	-	-	-	-
Reinvestment of dividend distributions - Class P	-	-	-	-	-	-	-
Reinvestment of dividend distributions - Class WA	27,962	-	-	-	-	-	27,962
Reinvestment of dividend distributions - Total	<u>28,449,829</u>	<u>5,983,597</u>	<u>22,063,258</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>67,283,756</u>
Redemptions - Class D	(10,534,978,632)	(3,722,525,978)	(7,840,766,832)	-	-	-	(26,838,166,761)
Redemptions - Class S	(1,166,235,194)	(354,410,027)	(702,034,966)	-	-	-	(2,659,061,152)
Redemptions - Class C	(60,827,185)	(9,561,721)	(110,746,706)	-	-	(29,520,715)	(263,061,984)
Redemptions - Class P	(38,559,433)	-	(138,789)	-	-	-	(38,744,701)
Redemptions - Class WA	(443,318,557)	(110,729,433)	(111,284,227)	-	-	-	(765,484,550)
Redemptions - Total	<u>(12,243,919,001)</u>	<u>(4,197,227,159)</u>	<u>(8,764,971,520)</u>	<u>-</u>	<u>-</u>	<u>(29,520,715)</u>	<u>(30,564,519,148)</u>
Balance end of period	<u>3,765,458,198</u>	<u>425,127,240</u>	<u>1,058,305,985</u>	<u>(17,175,800)</u>	<u>(9,000,328)</u>	<u>(13,823,907)</u>	<u>5,733,640,233</u>

The shares issued by the Company are freely transferable and are entitled to participate equally in the profits and dividends of the relevant Fund and its assets upon liquidation. Although each Fund of the Company will be treated as bearing its own liabilities, the Company as a whole will remain liable to third parties for all of the liabilities of the Company. The shares, which are of no par value and which must be fully paid-up on issue, carry no preferential or pre-emptive rights. All shares of each Fund rank pari passu. Holders of participating shares are entitled to one vote or a poll at general meetings in respect of each participating share held.

The shares are redeemable at the shareholder's option and are therefore classified as a financial liability.

8. Operating Expenses

PNC Global Investment Servicing (Europe) Limited ("PNC") act as Transfer Agent and Administrator of the Company. PNC International Bank Limited ("PNC Bank") acts as Custodian to the Company. Effective 1 June 2007 PNC and PNC Bank receive from the Funds a combined monthly fee calculated at an annual rate not to exceed 0.025% of the daily net asset value of each Fund. This fee encompasses PNC and PNC Bank combined services as transfer agent, administrator and custodian, excluding out-of-pocket expenses.

The Funds' operating expenses are based on a percentage of the average Net Asset Value of the Fund on a daily basis. Operating expenses are inclusive of portfolio management, custody, administration, distribution and all other services and out-of-pocket expenses associated with the Fund's operation.

The fees payable to the Sub-Investment Manager are paid by the Investment Manager out of its fee. If the total operating expenses borne by each Class, on any day, exceeds the maximum expense ratio, the Investment Manager waives its Investment Management fee to maintain the maximum expense ratio. The Investment Manager will further reimburse expenses to the Fund if the other operating costs exceed the maximum expense ratio, for each class, on a daily basis.

For Western Asset US Dollar Liquidity Fund, Western Asset Sterling Liquidity Fund[^], Western Asset Euro Liquidity Fund[^] and Western Asset Euro Government Liquidity Fund[^], the total operating expenses borne by the Shares did not exceed 0.35% for Class D and Class C Shares, 0.50% for Class P and Class S Shares and 0.10% for Class WA Shares, of the average daily Net Asset Value of the Fund on an annual basis.

[^] Not authorised in Hong Kong and not available to Hong Kong residents.

Notes to Financial Statements - (continued)

8. Operating Expenses - (continued)

For the period ended 28 February 2010, the Investment Managers have agreed to reimburse Western Asset US Dollar Liquidity Fund for expenses amounting to \$193 (28 February 2009: \$nil), Western Asset Sterling Liquidity Fund[^] for expenses amounting to £71,221 (28 February 2009: £62,249), Western Asset Euro Liquidity Fund[^] for expenses amounting to €40 (28 February 2009: €4,295), and Western Asset Euro Government Liquidity Fund[^] for expenses amounting to €343, which exceeded the expense limitations as determined by the Directors.

9. Related Party Transactions

On 6 March 2009, Western Asset Management Company replaced Western Asset Management Company Limited as the Investment Manager to the Western Asset Euro Liquidity Fund[^] and Western Asset Sterling Liquidity Fund[^]. On the same date, Western Asset Management Company Limited was appointed as the Sub-Investment Manager to each of the Funds. For the year ended 31 August 2009, Western Asset Management Company and Western Asset Management Company Limited acted as Investment Managers to the Company. Fees charged for the period ended 28 February 2010 and amounts payable at 28 February 2010 and 31 August 2009 in respect of these services are detailed below.

28 February 2010

	Western Asset US Dollar Liquidity Fund \$	Western Asset Sterling Liquidity Fund [^] £	Western Asset Euro Liquidity Fund [^] €	Western Asset Euro Government Liquidity Fund [^] €	Total \$
Investment Managers fees charged	4,284,497	305,610	921,227	69,037	6,213,601
Less: Expenses reimbursed and fees waived by Investment Manager	(2,278,689)	(376,651)	(550,405)	(59,261)	(3,771,617)
Total net Investment Manager fee charged	2,005,808	(71,041)	370,822	9,776	2,441,984
Investment Managers fees payable at period end	356,531	-	48,547	-	422,705
Receivable from Investment Manager at period end	-	10,600	-	340	16,616
Distributions fees charged	1,308,313	235,854	325,267	17,259	2,186,335
Distribution fees payable at period end	227,391	26,604	45,156	2,566	332,980

31 August 2009

	Western Asset US Dollar Liquidity Fund \$	Western Asset Sterling Liquidity Fund [^] £	Western Asset Euro Liquidity Fund [^] €	Euro Liquidity Plus Fund [^] €	Western Asset Euro Government Liquidity Fund [^] €	Total \$
Investment Managers fees charged	6,935,938	675,582	1,892,671	5,026	38,765	10,603,439
Less: Expenses reimbursed and fees waived by Investment Manager	(4,388,968)	(818,253)	(1,498,688)	(6,054)	(50,641)	(7,763,656)
Total net Investment Manager fee charged	2,546,970	(142,671)	393,983	(1,028)	(11,876)	2,839,783
Investment Managers fees payable at year end	323,034	-	94,341	-	-	458,272
Receivable from Investment Manager at year end	-	30,021	-	-	8,471	61,044
Distributions fees charged	2,517,075	520,697	863,729	1,513	9,691	4,509,418
Distribution fees payable at year end	273,033	59,221	68,415	-	2,813	471,603

Transactions with each Investment Manager and Distributor have been entered into in the normal course of business and on normal commercial terms.

Distribution fees are payable at:

- a rate of 0.05% per annum of the Net Asset Value, with respect to Class C and Class D Shares;
- a rate of 0.20% per annum of the Net Asset Value, with respect to Class S Shares;
- a rate of 0.15 % per annum of the Net Asset Value, with respect to Class P Shares;
- no compensation with respect to Class WA Shares.

The aggregate compensation and expenses shall be payable in monthly instalments, and shall be calculated at the end of each calendar month in respect of each relevant Fund and class by applying a daily distribution calculation based of the daily net assets of the Fund

[^] Not authorised in Hong Kong and not available to Hong Kong residents.

Notes to Financial Statements - (continued)

9. Related Party Transactions - (continued)

at the applicable rate. WAM will receive these fees only in respect of net assets of the Fund which are distributed or sold by WAM or its appointed sub distributors or selling agents. The sum of such calculations shall be payable during the course of the next calendar month.

10. Taxation

The Company will not be liable to tax in respect of its income and gains, other than on the occurrence of a chargeable event. Generally a chargeable event arises on any distribution, redemption, repurchase, cancellation, transfer of shares or on the ending of a Relevant Period, a 'Relevant Period' being an eight year period beginning with the acquisition of the shares by the Shareholders and each subsequent period of eight years beginning immediately after the preceding Relevant Period.

A chargeable event does not include:

- (i) Any transactions in relation to shares held in a recognised clearing system as designated by order of the Revenue Commissioners of Ireland; or
- (ii) An exchange of shares representing a fund for another fund; or
- (iii) An exchange of shares arising on a qualifying amalgamation or reconstruction of the Fund with another Fund; or
- (iv) Certain exchanges of shares between spouses and former spouse.

A chargeable event will not occur in respect of (a) Shareholders who are neither resident nor ordinarily resident in Ireland and who have provided the Fund with relevant declaration to that effect, (b) certain exempted Irish Tax Resident shareholders who have provided the Fund with the relevant declaration to that effect.

In the absence of an appropriate declaration, the Fund will be liable to Irish Tax on the occurrence of a chargeable event. There were no chargeable events during the year under review.

Capital gains, dividends and interest received may be subject to withholding taxes imposed by the country of origin and such taxes may not be recoverable by the Fund or its Shareholders.

11. Commitments and Contingent Liabilities

At the balance sheet date, there were no significant commitments or contingent liabilities.

12. Soft Commission Arrangements

The Investment Managers for the Funds may use certain services which assist in the management of the Funds' investments and which are paid for by certain brokers. These services may include research and analysis of the relative merits of individual securities or markets or the use of computers and other information facilities. In return, the Investment Managers place business with these brokers including transactions relating to the Funds' investments. No such arrangements were entered into for the Funds' for the periods ended 28 February 2010 and 28 February 2009.

13. Directors' Remuneration

Directors who are employees and/or officers of Legg Mason, Inc. or an affiliate of Legg Mason, Inc. ("Legg Mason") are not entitled to remuneration for their services as directors.

Directors' fees paid to Mr Brian Collins, Mr Frank Ennis and Mr Joseph Keane, who were not employees and/or officers of Legg Mason, for the period ended 28 February 2010 were \$20,530 (28 February 2009: \$22,613). No Directors' fees were paid to employees and/or officers of Legg Mason during the period ended 28 February 2010 or 28 February 2009.

Notes to Financial Statements - (continued)

14. Comparative Table - Net Asset Value Attributable to Holders of Redeemable Participating Shares

Fund	Class	Period ended	Currency	Total Net Asset Value	Net Asset Value Per Share	
Western Asset US Dollar Liquidity Fund	- Class D	28/02/2010	\$	4,370,314,485	\$1.00	
	- Class S	28/02/2010	\$	365,533,251	\$1.00	
	- Class C	28/02/2010	\$	183,012,050	\$132.5694	
	- Class P	28/02/2010	\$	6,705,921	\$112.2175	
	- Class WA	28/02/2010	\$	27,257,884	\$1.00	
	Total		\$	<u>4,952,823,591</u>		
	- Class D	31/08/2009	\$	3,415,051,163	\$1.00	
	- Class S	31/08/2009	\$	598,869,131	\$1.00	
	- Class C	31/08/2009	\$	32,755,567	\$132.4341	
	- Class P	31/08/2009	\$	7,030,525	\$112.1832	
- Class WA	31/08/2009	\$	16,612,140	\$1.00		
Total		\$	<u>4,070,318,526</u>			
Western Asset Sterling Liquidity Fund ^A	- Class D	28/02/2009	\$	3,390,759,994	\$1.00	
	- Class S	28/02/2009	\$	348,413,730	\$1.00	
	- Class C	28/02/2009	\$	16,453,410	\$131.9315	
	- Class P	28/02/2009	\$	6,048,662	\$111.8527	
	- Class WA	28/02/2009	\$	14,276,785	\$1.00	
	Total		\$	<u>3,775,952,581</u>		
	- Class D	31/08/2009	£	304,060,307	£1.00	
	- Class S	31/08/2009	£	93,368,750	£1.00	
	- Class C	31/08/2009	£	221,960	£109.4973	
	- Class P	31/08/2009	£	260,182	£116.2844	
- Class WA	31/08/2009	£	3,187,664	£1.00		
Total		£	<u>401,098,863</u>			
Western Asset Euro Liquidity Fund ^A	- Class D	28/02/2009	£	327,208,706	£1.00	
	- Class S	28/02/2009	£	276,730,644	£1.00	
	- Class C	28/02/2009	£	221,441	£109.2414	
	- Class P	28/02/2009	£	249,921	£116.1677	
	- Class WA	28/02/2009	£	19,438,045	£1.00	
	Total		£	<u>623,848,757</u>		
	- Class D	31/08/2009	£	181,509,424	£1.00	
	- Class S	31/08/2009	£	234,887,901	£1.00	
	- Class C	31/08/2009	£	220,371	£108.7135	
	- Class P	31/08/2009	£	167,273	£115.7632	
- Class WA	31/08/2009	£	9,154,150	£1.00		
Total		£	<u>425,939,119</u>			
Western Asset Government Liquidity Fund ^A	- Class D	28/02/2010	€	488,073,433	€1.00	
	- Class S	28/02/2010	€	149,861,586	€1.00	
	- Class C	28/02/2010	€	5,311,911	€125.8745	
	- Class P	28/02/2010	€	1,361,199	€109.4827	
	- Class WA	28/02/2010	€	5,678,040	€1.00	
	Total		€	<u>650,286,169</u>		
	- Class D	31/08/2009	€	662,672,450	€1.00	
	- Class S	31/08/2009	€	188,255,446	€1.00	
	- Class C	31/08/2009	€	48,087,747	€125.5431	
	- Class P	31/08/2009	€	2,339,998	€109.2758	
- Class WA	31/08/2009	€	4,743,639	€1.00		
Total		€	<u>906,099,280</u>			
Western Asset Euro Liquidity Fund ^A	- Class D	28/02/2009	€	969,687,529	€1.00	
	- Class S	28/02/2009	€	97,020,819	€1.00	
	- Class C	28/02/2009	€	7,639,185	€124.7221	
	- Class P	28/02/2009	€	1,177,337	€108.6614	
	- Class WA	28/02/2009	€	15,177,342	€1.00	
	Total		€	<u>1,090,702,212</u>		
	Western Asset Euro Government Liquidity Fund ^A	- Class D	28/02/2010	€	68,323,289	€1.00
		Total		€	<u>68,323,289</u>	
	Western Asset Euro Government Liquidity Fund ^A	- Class D	31/08/2009	€	67,255,824	€1.00
		Total		€	<u>67,255,824</u>	

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Notes to Financial Statements - (continued)

15. Risk Exposure and Risk Management

Legg Mason, Inc. ("Legg Mason") houses a selection of investment management businesses, each focusing on their own area of expertise. These specialised investment managers include Western Asset Management Company and Western Asset Management Company Limited – each a wholly-owned subsidiary of Legg Mason.

Western Asset Management Company Limited and Legg Mason Investments (Europe) Limited are the distributors for the Company.

The Company had appointed Western Asset Management Company as Investment Manager to Western Asset US Dollar Liquidity Fund and Western Asset Management Company Limited as Investment Manager to Western Asset Euro Liquidity Fund[^], Western Asset Sterling Liquidity Fund[^] and Euro Liquidity Plus Fund[^].

On 6 March 2009, Western Asset Management Company replaced Western Asset Management Company Limited as Investment Manager to Western Asset Euro Liquidity Fund[^] and Western Asset Sterling Liquidity Fund[^]. On the same date, Western Asset Management Company appointed Western Asset Management Company Limited as Sub-Investment Manager to each of these Funds.

On 5 May 2009, Western Asset Euro Government Liquidity Fund[^] was launched. The Company appointed Western Asset Management Company as Investment Manager and Western Asset Management Company appointed Western Asset Management Company Limited as Sub-Investment Manager to this Fund.

The Investment Manager remains responsible to the Funds for the performance of its agreed upon obligations. The Investment Manager's responsibility is to manage the assets of the Funds in accordance with each Fund's stated investment objectives, investment policies and restrictions. Day-to-day risk management of the financial instruments (including financial derivative instruments) held by each Fund is the responsibility of the Sub-Investment Manager.

The Investment Manager uses a team based approach to managing the assets of the Funds. This structure ensures that the Funds benefit from a consensus that draws on the expertise of all team members. The team interacts on a daily basis to evaluate developments in the market and the economy, and meets formally at least every two weeks to review the economic outlook and their investment strategy.

As part of this team based approach, there is a dedicated risk management team that assesses risk management. This team combines the best of the Investment Manager's technology and experience to develop useful risk management tools and procedures.

The Company, in conjunction with the Investment Manager, has determined that its material risks are market risk, credit risk and liquidity risk. In respect of the use of financial derivative instruments, the risks are counterparty risk, credit risk, increased margin calls and unlimited risk of loss. Further details of these and other risks are set out below and in the prospectus.

Market risk includes market price risk, foreign currency risk, interest rate risk and other price risk.

Market price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The maximum price risk resulting from the ownership of financial instruments is determined by the fair value of financial instruments. The Sub-Investment Manager may consider the asset allocation of the portfolios in order to minimise the risk associated with particular sectors or securities while continuing to follow each Fund's investment objectives as outlined in Note 2 to these financial statements. Risk is managed by the Sub-Investment Manager through careful selection of securities within specified limits and investment mandates.

Each of the Funds can invest in securities which are valued at amortised cost, which approximates market value. The amortised cost method involves valuing an investment at its cost and thereafter assuming a constant amortisation to maturity of any discount or premium. These securities will also be subject to market price risk although to a lesser degree.

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in the rate of exchange between the currency in which the financial asset or financial liability is denominated and the functional currency of the Funds. The value of the investments of a Fund denominated in a currency other than the functional currency may rise and fall due to exchange rate fluctuations by the relevant currencies. There is a risk that large exchange rate fluctuations may have a significant impact on the performance of the Funds.

Where a Fund holds investments in a currency other than that of the Fund's functional currency, the Sub-Investment Manager may manage foreign currency risk by hedging foreign currency into the functional currency of the Fund. For the period ended 28 February 2010 and the year ended 31 August 2009, none of the Funds held foreign currency.

Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rate. Funds which hold fixed interest rate debt securities and overdraft positions are exposed to interest rate risk where the value of these securities or loans may fluctuate as a result of a change in interest rates. Holdings in floating and variable rate securities may also be subject to interest rate risk although to a lesser degree. Cash assets held via the Custodian yield interest income, the level of which will fluctuate according to the prevailing level of market interest rates.

The Funds invest in interest bearing financial assets and financial liabilities which expose them to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on their financial positions and cash flows. The value of investments in fixed rate interest bearing securities may be subject to price volatility due to changes in interest rates. Fluctuations in market interest rates will impact upon the level of interest received by a Fund.

[^] Not authorised in Hong Kong and not available to Hong Kong residents.

Notes to Financial Statements - (continued)**15. Risk Exposure and Risk Management - (continued)**

An increase in interest rates will generally reduce the value of debt securities that are issued and outstanding, while a decline in interest rates will generally increase the value of debt securities that are issued and outstanding. The magnitude of these price fluctuations will be greater when the maturity of the outstanding securities is longer.

The Sub-Investment Manager monitors the interest-rate environment and evaluates risks on major strategies. Interest rate risk is assessed by monitoring maturities and duration relative to the Funds' benchmarks. Duration is constrained to a predetermined target around the benchmark, usually 20%, to ensure that the interest rate position of a portfolio is never so substantial that it overwhelms other strategies. Sectors and individual securities are also assessed in terms of their duration contribution to the portfolio. Techniques such as factor analysis and key rate duration measurement are used to evaluate portfolio curve exposures.

Details of each Fund's weighted average yield and weighted average years to maturity on its fixed rate instruments are set out in Note 15(c) below.

The risks involved with investing include changing economic conditions, industry and company conditions and security selection in addition to interest rate risk, credit risk, maturity risk and market risk. The Funds do not have any financial liabilities other than futures contracts and amounts due to short-term creditors.

15.1 Market Risk

Value at Risk ("VaR") is one of many components used by the Sub-Investment Manager to measure market risk. VaR can be used to meet the sensitivity analysis requirement of FRS 29. Relative VaR refers to the risk versus the benchmark.

The Sub-Investment Manager computes the relative VaR of each of the Funds to a benchmark. Tracking error is the volatility of the difference between the Funds' returns and their benchmarks' returns. Tracking error can be computed ex-post (after the fact) by simply observing portfolio and benchmark returns; or ex-ante (before the fact) by a risk model that attempts to predict future tracking error based on the holdings of the Funds and of their benchmarks. The Sub-Investment Manager has available a variety of third-party vendor systems they can use to estimate tracking error, as well as internal methods. To calculate 95% 1 day relative VaR, the Sub-Investment Manager takes daily tracking error using 18 months of historical data and multiplies by 1.65, which is the statistical deviation for a 95% confidence level.

Tracking error and VaR analysis attempt to reflect the interdependencies between risk factors, usually through a correlation or covariance matrix although in other cases it can be through different methods such as Monte Carlo simulation. The systems that the Sub-Investment Manager uses to calculate tracking error and VaR look at systematic capital market factors such as yield curve exposures (level, slope and shape), sector, credit quality and currencies and if further analysis is required the Sub-Investment Manager has the ability to calculate historic or Monte Carlo VaR.

There are inherent limitations to VaR. As with any forward-looking calculation, methods that calculate ex-ante tracking error and VaR are subject to error. Predicting future behavior involves extracting patterns from past data and applying judgment and modeling to project forward. There is no guarantee that any particular combination of past data, modeling and judgment will accurately predict forward, especially during turbulent market conditions.

The table below indicates the 95% 1 day relative VaR for the Funds relative to their benchmarks:

Fund	28 February 2010	31 August 2009
Western Asset US Dollar Liquidity Fund	0.02%	0.03%
Western Asset Sterling Liquidity Fund[^]	0.01%	0.01%
Western Asset Euro Liquidity Fund[^]	0.01%	0.02%
Western Asset Euro Government Liquidity Fund[^]	0.01%	0.01%

(a) Market Price Risk

The risk to each Fund from market price risk has been incorporated into the calculation of the market VaR, therefore, a sensitivity analysis is not presented.

(b) Foreign Currency Risk

The net asset value per share of each Fund is calculated in the relevant functional currency of U.S. Dollars, Pound Sterling or Euros. The investments held by each Fund may be acquired, valued and disposed of in other currencies.

The risk to each Fund from foreign currency exposure has been incorporated into the calculation of the market VaR (Note 15.1 above); therefore, a sensitivity analysis does not need to be presented.

[^] Not authorised in Hong Kong and not available to Hong Kong residents.

Notes to Financial Statements - (continued)

15. Risk Exposure and Risk Management - (continued)

15.1 Market Risk - (continued)

(c) Interest Rate Risk

As at 28 February 2010 and 31 August 2009, all of the cash held by the Funds are held with the Custodian earning a margin over Libor.

The analysis of fixed, variable and non-interest bearing securities as at 28 February 2010 is as follows:

Fund		Investments in Fixed Interest Securities	Investments in Variable Interest Securities	Investments in Non-Interest Bearing Securities
Western Asset US Dollar Liquidity Fund	\$	3,772,857,402	1,227,650,697	-
Western Asset Sterling Liquidity Fund [^]	£	353,716,133	47,231,268	-
Western Asset Euro Liquidity Fund [^]	€	371,834,562	277,910,835	-
Western Asset Euro Government Liquidity Fund [^]	€	68,164,893	-	-

The analysis of fixed, variable and non-interest bearing securities as at 31 August 2009 is as follows:

Fund		Investments in Fixed Interest Securities	Investments in Variable Interest Securities	Investments in Non-Interest Bearing Securities
Western Asset US Dollar Liquidity Fund	\$	2,477,096,678	1,571,446,316	-
Western Asset Sterling Liquidity Fund [^]	£	575,519,959	142,855,775	-
Western Asset Euro Liquidity Fund [^]	€	438,799,253	466,311,829	218,901
Western Asset Euro Government Liquidity Fund [^]	€	67,205,849	-	-

The variable rate securities held by each Fund as at 28 February 2010 and 31 August 2009 earn interest based on indices such as Euribor, Libor (one month and three months), Federal Funds Effective Rate and Prime Rate.

The weighted average yield and weighted average years to maturity of each Fund on its fixed rate instruments as at 28 February 2010 are as follows:

Fund	Weighted Average Yield	Weighted Average Years to Maturity
Western Asset US Dollar Liquidity Fund	0.29%	0.17
Western Asset Sterling Liquidity Fund [^]	0.45%	0.07
Western Asset Euro Liquidity Fund [^]	0.41%	0.09
Western Asset Euro Government Liquidity Fund [^]	0.05%	0.14

The weighted average yield and weighted average years to maturity of each Fund on its fixed rate instruments as at 31 August 2009 are as follows:

Fund	Weighted Average Yield	Weighted Average Years to Maturity
Western Asset US Dollar Liquidity Fund	0.52%	0.19
Western Asset Sterling Liquidity Fund [^]	0.41%	0.02
Western Asset Euro Liquidity Fund [^]	0.22%	0.03
Western Asset Euro Government Liquidity Fund [^]	0.04%	0.14

[^] Not authorised in Hong Kong and not available to Hong Kong residents.

Notes to Financial Statements - (continued)

15. Risk Exposure and Risk Management - (continued)

15.1 Market Risk - (continued)

(c) Interest Rate Risk - (continued)

Each of the Funds invests in short term securities and the maturity profile for each Fund is set out in the tables below:

As at 28 February 2010

Western Asset US Dollar Liquidity Fund	Variable Interest	Fixed Rate Securities			Non-Interest Bearing	Total
		Less than 1 month	1 – 3 months	3 months – 1 year		
	\$	\$	\$	\$	\$	\$
Assets						
Financial assets at fair value through profit or loss	1,227,650,697	1,554,787,385	1,169,836,027	1,048,233,990	-	5,000,508,099
Other receivables and assets	-	-	-	-	3,382,674	3,382,674
Total Assets	1,227,650,697	1,554,787,385	1,169,836,027	1,048,233,990	3,382,674	5,003,890,773
Liabilities						
Accrued expenses and other liabilities	-	-	-	-	51,067,182	51,067,182
Total Liabilities	-	-	-	-	51,067,182	51,067,182
Total interest sensitivity gap	1,227,650,697	1,554,787,385	1,169,836,027	1,048,233,990	(47,684,508)	4,952,823,591

Western Asset Sterling Liquidity Fund [^]	Variable Interest	Fixed Rate Securities			Non-Interest Bearing	Total
		Less than 1 month	1 – 3 months	3 months – 1 year		
	£	£	£	£	£	£
Assets						
Financial assets at fair value through profit or loss	47,231,267	218,027,081	125,716,380	9,972,673	-	400,947,401
Other receivables and assets	232,931	-	-	-	61,203	294,134
Total Assets	47,464,198	218,027,081	125,716,380	9,972,673	61,203	401,241,535
Liabilities						
Accrued expenses and other liabilities	-	-	-	-	142,672	142,672
Total Liabilities	-	-	-	-	142,672	142,672
Total interest sensitivity gap	47,464,198	218,027,081	125,716,380	9,972,673	(81,469)	401,098,863

Western Asset Euro Liquidity Fund [^]	Variable Interest	Fixed Rate Securities			Non-Interest Bearing	Total
		Less than 1 month	1 – 3 months	3 months – 1 year		
	€	€	€	€	€	€
Assets						
Financial assets at fair value through profit or loss	277,910,835	288,330,177	31,482,372	52,022,013	-	649,745,397
Other receivables and assets	250,098	-	-	-	585,975	836,073
Total Assets	278,160,933	288,330,177	31,482,372	52,022,013	585,975	650,581,470
Liabilities						
Accrued expenses and other liabilities	-	-	-	-	295,301	295,301
Total Liabilities	-	-	-	-	295,301	295,301
Total interest sensitivity gap	278,160,933	288,330,177	31,482,372	52,022,013	290,674	650,286,169

Western Asset Euro Government Liquidity Fund [^]	Variable Interest	Fixed Rate Securities			Non-Interest Bearing	Total
		Less than 1 month	1 – 3 months	3 months – 1 year		
	€	€	€	€	€	€
Assets						
Financial assets at fair value through profit or loss	-	24,399,318	32,181,092	11,584,483	-	68,164,893
Other receivables and assets	167,384	-	-	-	23,037	190,421
Total Assets	167,384	24,399,318	32,181,092	11,584,483	23,037	68,355,314
Liabilities						
Accrued expenses and other liabilities	-	-	-	-	32,025	32,025
Total Liabilities	-	-	-	-	32,025	32,025
Total interest sensitivity gap	167,384	24,399,318	32,181,092	11,584,483	(8,988)	68,323,289

[^] Not authorised in Hong Kong and not available to Hong Kong residents.

Notes to Financial Statements - (continued)

15. Risk Exposure and Risk Management - (continued)

15.1 Market Risk - (continued)

(c) Interest Rate Risk - (continued)

As at 31 August 2009

Western Asset US Dollar Liquidity Fund	Variable Interest	Fixed Rate Securities			Non-Interest Bearing	Total
		Less than 1 month	1 – 3 months	3 months – 1 year		
	\$	\$	\$	\$	\$	\$
Assets						
Financial assets at fair value through profit or loss	1,571,446,316	1,123,171,774	479,693,367	874,231,537	-	4,048,542,994
Other receivables and assets	648	-	-	-	100,900,954	100,901,602
Total Assets	1,571,446,964	1,123,171,774	479,693,367	874,231,537	100,900,954	4,149,444,596
Liabilities						
Accrued expenses and other liabilities	-	-	-	-	79,126,070	79,126,070
Total Liabilities	-	-	-	-	79,126,070	79,126,070
Total interest sensitivity gap	1,571,446,964	1,123,171,774	479,693,367	874,231,537	21,774,884	4,070,318,526

Western Asset Sterling Liquidity Fund [^]	Variable Interest	Fixed Rate Securities			Non-Interest Bearing	Total
		Less than 1 month	1 – 3 months	3 months – 1 year		
	£	£	£	£	£	£
Assets						
Financial assets at fair value through profit or loss	142,855,775	521,564,427	53,955,532	-	-	718,375,734
Other receivables and assets	288,833	-	-	-	392,618	681,451
Total Assets	143,144,608	521,564,427	53,955,532	-	392,618	719,057,185
Liabilities						
Accrued expenses and other liabilities	-	-	-	-	95,208,428	95,208,428
Total Liabilities	-	-	-	-	95,208,428	95,208,428
Total interest sensitivity gap	143,144,608	521,564,427	53,955,532	-	(94,815,810)	623,848,757

Western Asset Euro Liquidity Fund [^]	Variable Interest	Fixed Rate Securities			Non-Interest Bearing	Total
		Less than 1 month	1 – 3 months	3 months – 1 year		
	€	€	€	€	€	€
Assets						
Financial assets at fair value through profit or loss	466,311,829	373,846,054	64,953,199	-	218,901	905,329,983
Other receivables and assets	259,133	-	-	-	981,872	1,241,005
Total Assets	466,570,962	373,846,054	64,953,199	-	1,200,773	906,570,988
Liabilities						
Accrued expenses and other liabilities	-	-	-	-	471,708	471,708
Total Liabilities	-	-	-	-	471,708	471,708
Total interest sensitivity gap	466,570,962	373,846,054	64,953,199	-	729,065	906,099,280

Western Asset Euro Government Liquidity Fund [^]	Variable Interest	Fixed Rate Securities			Non-Interest Bearing	Total
		Less than 1 month	1 – 3 months	3 months – 1 year		
	€	€	€	€	€	€
Assets						
Financial assets at fair value through profit or loss	-	25,497,498	32,729,611	8,978,740	-	67,205,849
Other receivables and assets	65,561	-	-	-	12,185	77,746
Total Assets	65,561	25,497,498	32,729,611	8,978,740	12,185	67,283,595
Liabilities						
Accrued expenses and other liabilities	-	-	-	-	27,771	27,771
Total Liabilities	-	-	-	-	27,771	27,771
Total interest sensitivity gap	65,561	25,497,498	32,729,611	8,978,740	(15,586)	67,255,824

[^] Not authorised in Hong Kong and not available to Hong Kong residents.

Notes to Financial Statements - (continued)**15. Risk Exposure and Risk Management - (continued)****15.1 Market Risk - (continued)****(d) Other Price Risk - Fair Value of Financial Assets and Financial Liabilities**

A Valuation Committee has been established to oversee the implementation of the valuation policies and procedures adopted by the Board of Directors (the "Board"). The Valuation Committee, including the Chairperson, is comprised of no fewer than four members and no more than ten members, each of whom is appointed by the Investment Manager. Representatives of Legg Mason Legal and Compliance will serve the Valuation Committee in an advisory capacity. The Valuation Committee meets on a monthly basis to review all securities which are manually priced, broker priced, matrix priced, fair valued, illiquid or stale. A Valuation Committee meeting, however, may be called at any time to consider any question or issue that falls under their procedures. Valuation Committee meetings can be in person, or via email or other writing.

Some Funds entered into derivative contracts during the period. The value of derivatives is based on certain underlying bonds, interest rates, currencies or indices and includes options, futures, currency and interest rate swaps and forward foreign exchange contracts. Derivatives may be hard to sell at an advantageous price or time and are sensitive to changes in the underlying security, interest rate, currency or index. Therefore, derivatives can be highly volatile and could result in a loss to the Fund. There were no open derivative positions as at 28 February 2010, except for the Capital Support Agreement on Western Asset Euro Liquidity Fund[^].

Fair Value Estimation

The fair value of financial instruments traded in active markets (such as publicly traded derivatives and trading securities) is based on quoted market prices at the Balance Sheet date. The quoted market price used for financial assets held by the Company is the current bid price. When a "readily available market quotation" for a security is not available and the security is not being valued using the amortised cost method, the Company employs "fair value" methodologies to price securities. As a general principle, fair value is the price that the Fund might reasonably expect to receive upon a current sale. The fair valuation process requires the Valuation Committee to make a determination in good faith as to the value of a particular security or group of securities depending on the particular facts and circumstances involved.

Circumstances in which a market quotation is not readily available may include, trading suspensions prior to the close of the relevant market; events that unexpectedly close entire markets such as natural disasters, power blackouts, or similar major events; market holidays; or volume of trading in a security.

When determining the fair value of a security, the Valuation Committee may consider all relevant methods, including but not limited to any one or all of the following pricing methods:

- (1) A multiple of earnings;
- (2) A discount from market of a similar freely traded security;
- (3) A discounted cash-flow analysis;
- (4) The book value or a multiple thereof;
- (5) A risk premium/yield analysis;
- (6) Yield to maturity; or
- (7) Fundamental investment analysis.

When determining the fair value of a security, the Valuation Committee should consider factors that may indicate the price that a Fund might reasonably expect to receive from the security's current sale including but not limited to the type of security, the purchase price of the security, the issuer's financial statements, the price and extent of public trading in similar securities of the issuer or comparable companies, values of indices or baskets of securities traded on other markets, exchanges or among dealers such as ADR and closed-end fund trading, changes in interest rates, the value of foreign securities traded on other foreign markets, foreign currency exchange activity and any letters of credit in place for the benefit of the relevant Fund.

The Valuation Committee reviews the appropriateness and accuracy of the methods used in fair valuing securities on a monthly basis including a comparison of fair values against the last market price and the next available market price, such as the next-day opening price.

In the event a price is not available from an independent third party, the Administrator or the Sub-Investment Manager may obtain one or more indicative quotes from approved broker-dealers. Certain investments are priced using an independent third party valuation model and the prices provided are based on a valuation model rather than quotes provided by broker-dealers. The valuation model uses a variety of relevant inputs and assumptions depending on the security type and available market information.

Matrix pricing is used for Funds when the Administrator or the Sub-Investment Manager is unable to obtain one or more broker-dealer quotes for a security for which there is no price available from an independent third party. Matrix pricing estimates a U.S. Dollar-denominated security's current market value by using the most recent quote received from a broker-dealer and adjusting the price by the change in the yield of the U.S. treasury security most similar in duration to the security being valued.

[^] Not authorised in Hong Kong and not available to Hong Kong residents.

Notes to Financial Statements - (continued)**15. Risk Exposure and Risk Management - (continued)****15.1 Market Risk - (continued)****(d) Other Price Risk - Fair Value of Financial Assets and Financial Liabilities - (continued)**

The following tables set out the value of securities for each Fund which have been priced using single broker sources, fair valued by the Valuation Committee and securities which have been matrix priced or priced by an independent third party valuation model as at 28 February 2010 and 31 August 2009:

28 February 2010

Fund	Currency	Single Broker Priced	Fair Valued by Valuation Committee	Matrix Priced
Western Asset US Dollar Liquidity Fund	\$	-	49,996,794	2,547,435,712
Western Asset Sterling Liquidity Fund[^]	£	-	-	-
Western Asset Euro Liquidity Fund[^]	€	-	-	-
Western Asset Euro Government Liquidity Fund[^]	€	-	-	-

31 August 2009

Fund	Currency	Single Broker Priced	Fair Valued by Valuation Committee	Matrix Priced
Western Asset US Dollar Liquidity Fund	\$	-	-	-
Western Asset Sterling Liquidity Fund[^]	£	-	-	-
Western Asset Euro Liquidity Fund[^]	€	-	325,859,058	-
Western Asset Euro Government Liquidity Fund[^]	€	-	-	-

In addition, holdings of \$2,547,435,712 (31 August 2009: \$1,743,913,792) of the Western Asset US Dollar Liquidity Fund were valued using an independent third part valuation model.

Additional details regarding pricing methods are presented in Note 3 to these financial statements.

(e) Fair Value Estimation

Effective 1 January 2009 the Company adopted the Amendments to FRS 29 Financial Instruments: Disclosures, which requires enhanced disclosures about financial instruments carried at fair value and liquidity risk.

Investments measured and reported at fair value are classified and disclosed in one of the following fair value hierarchy levels based on the significance of the inputs used in measuring its fair value:

Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the valuation date. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 inputs are inputs other than quoted prices in active markets included within Level 1 that are observable for the asset or liability, either directly or indirectly. Fair value is determined through the use of models or other valuation methodologies. Level 2 inputs include the following:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in markets that are not active, that is, markets in which there are few transactions for the asset or liability, the prices are not current, or price quotations vary substantially either over time or among market makers, or in which little information is released publicly.
- Inputs other than quoted prices that are observable for the asset or liability (e.g. interest rate and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks and default rates).
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs reflect the Company's own assumptions about how market participants would be expected to value the asset or liability. Unobservable inputs are developed based on the best information available in the circumstances, other than market data obtained from sources independent of the Company and might include the Company's own data.

An investment is always categorised as level 1, 2 or 3 in its entirety. In certain cases, the fair value measurement for an investment may use a number of different inputs that fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement requires judgment and is specific to the investment.

[^] Not authorised in Hong Kong and not available to Hong Kong residents.

Notes to Financial Statements - (continued)

15. Risk Exposure and Risk Management - (continued)

15.1 Market Risk - (continued)

(e) Fair Value Estimation - (continued)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in these securities.

The following tables analyse under the fair value hierarchy the Funds' financial assets and financial liabilities measured at fair value at 28 February 2010:

Western Asset US Dollar Liquidity Fund	Level 1	Level 2	Level 3
Financial Assets at Fair Value through Profit or Loss			
Certificates of Deposit	-	1,645,104,616	-
Commercial Paper	-	1,282,365,480	49,996,794
FDIC Backed Bonds and Notes	-	90,304,796	-
Time Deposits	-	701,865,000	-
U.S. Government Agency	1,151,710,767	-	-
Variable Rate Notes	-	79,160,646	-
Total	1,151,710,767	3,798,800,538	49,996,794

Western Asset Sterling Liquidity Fund ^A	Level 1	Level 2	Level 3
Financial Assets at Fair Value through Profit or Loss			
Certificates of Deposit	-	49,495,426	-
Commercial Paper	-	181,872,932	-
Repurchase Agreements	-	80,000,000	-
Time Deposits	-	42,347,775	-
Variable Rate Notes	-	47,231,268	-
Total	-	400,947,401	-

Western Asset Euro Liquidity Fund ^A	Level 1	Level 2	Level 3
Financial Assets at Fair Value through Profit or Loss			
Certificates of Deposit	-	49,919,689	-
Commercial Paper	-	162,932,852	-
Time Deposits	-	42,852,876	-
Repurchase Agreements	-	108,000,000	-
Variable Rate Notes	11,984,078	265,926,757	-
Fixed Rate Bonds	-	8,129,145	-
Total	11,984,078	637,761,319	-

Western Asset Euro Government Liquidity Fund ^A	Level 1	Level 2	Level 3
Financial Assets at Fair Value through Profit or Loss			
Repurchase Agreements	-	14,400,000	-
Treasury Bills	-	53,764,893	-
Total	-	68,164,893	-

Western Asset US Dollar Liquidity Fund

Reconciliation of Level 3

	28 February 2010
	USD
Opening balance	-
Total unrealised loss	-
In profit or loss	(3,026)
Purchases and issuances	50,000,000
Sales and settlements	-
Transfers into Level 3	-
Transfers out of Level 3	-
Ending balance	49,996,974

There were no significant transfers between levels during the period.

^A Not authorised in Hong Kong and not available to Hong Kong residents.

Notes to Financial Statements - (continued)**15. Risk Exposure and Risk Management - (continued)****15.2 Credit Risk**

Credit risk is the risk that a counterparty to or issuer of a financial instrument will fail to discharge an obligation or commitment that it has entered into with a Fund. The Company will be exposed to credit risk on parties with whom it trades and will also bear the risk of settlement default. The Sub-Investment Manager minimises concentrations of credit risk by undertaking transactions with a large number of brokers and counterparties on recognised and reputable exchanges. All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

Each Fund will be exposed to credit risk on the counterparties with which it trades in relation to futures and other derivative financial instruments that are not traded on a recognised exchange. Such instruments are not afforded the same protections as may apply to participants trading futures or other derivative instruments on organised exchanges, such as the performance guarantee of an exchange clearing house. The Funds will be subject to the possibility of the insolvency, bankruptcy or default of a counterparty with which the Funds trade such instruments, which could result in substantial losses to the Funds.

The Company is exposed to credit risk on the over-the-counter ("OTC") counterparties with whom it trades. All OTC counterparties must meet the following criteria as set out in the Regulations namely:

- (i) A credit institution in accordance with UCITS Regulations or an investment firm authorised in accordance with the Markets in Financial Instruments Directive in an EEA Member State, or is an entity subject to regulation as a Consolidated Supervised Entity by the Securities and Exchange Commission, or
- (ii) Have a minimum credit rating of A2 or equivalent, or in the opinion of the Investment Manager, an implied credit minimum rating of A2 or equivalent.

The risk exposure of each Fund to a counterparty to an OTC derivative transaction may not exceed 5% of net assets. This limit is raised to 10% in the case of a credit institution authorised in the EEA, a credit institution authorised within a signatory state (other than an EEA member state) to the Basle Capital Convergence Agreement of July 1988 or a credit institution authorised in Jersey, Guernsey, the Isle of Man, Australia or New Zealand.

Transactions involving derivative financial instruments are usually with counterparties with whom the Company has signed master netting agreements. Master netting agreements provide for the net settlement of contracts with the same counterparty in the event of default. The credit risk associated with derivative financial assets subject to a master netting arrangement is eliminated only to the extent that financial liabilities due to the same counterparty will be settled after the assets are realised.

Transactions resulting in large unrealised gains to a Fund may require a Fund to hold collateral received from a broker. In these instances, the credit risk to the Fund is reduced by the value of the collateral held. In the event a broker files for bankruptcy, in the U.S. (though regulations may vary by jurisdiction), collateral posted in connection with certain derivative financial instruments is exempt from the automatic stay implemented at the inception of a bankruptcy proceeding. This derivative financial instruments exemption would allow a Fund to immediately foreclose on collateral posted by the insolvent party in order to satisfy claims against such insolvent party.

The Company monitors its risk by periodically considering the credit quality and financial positions of the counterparties the Funds use. The Funds may only trade with approved counterparties.

There are two lists of approved counterparties - one for transactions where the risk is considered minimal and one for transactions that contain more than the minimum counterparty credit risk exposure such as options, forward contracts and other derivative financial instruments. Additions to these lists are reviewed quarterly and a thorough re-evaluation of all counterparties is conducted annually. The review includes analysis of the counterparty's capital adequacy, profitability, liquidity and other factors as may be appropriate.

Credit risk is addressed through diversified use of counterparties and issuers, and through minimum security ratings and average portfolio ratings. The Sub-Investment Manager may set portfolio limits and may invest based on internal parameters with mutually agreed limits set at a Fund's inception, including issue and issuer limitations, credit minimums, and an average credit quality and the account is monitored on an ongoing basis to ensure it continues to meet these parameters. Rigorous independent analysis of all credit securities before purchase, including financial modeling, scenario analysis, and monitoring changes in risk profile may also be performed. Generally no more than 5% of the portfolio may be invested in any single corporate issuer at the time of purchase.

Credit risk can be managed by entering into a Credit Support Agreement ("CSA") in order to provide stability to a Fund and its investors and to enable a Fund to preserve its AAA rating. A CSA is an agreement that provides for cash infusions into a Fund by a support provider to cover the value of holdings in the Fund that are currently in default. The support provider does not receive any consideration from the Fund in the form of shares or any other form. Details of each Fund's CSA in place during the period are set out in Note 3(e).

The Sub-Investment Manager reviews Funds' holdings against minimum allowable credit ratings (as applicable) and reports exceptions to the Board. The Valuation Committee meets at least monthly and whenever the circumstances so require to review and deliberate on valuation concerns including credit. The Sub-Investment Manager provides risk analysis to the Board on a semi-annual basis.

Notes to Financial Statements - (continued)**15. Risk Exposure and Risk Management - (continued)****15.2 Credit Risk - (continued)**

Substantially all of the cash and securities held by the Funds are held via the Custodian. Bankruptcy or insolvency by the Custodian may cause the Funds' rights with respect to the cash held by the Custodian to be delayed or limited. The credit rating of the Custodian is highly rated by prominent rating agencies. If the credit quality or financial position of the Custodian deteriorates significantly the Sub-Investment Manager will move the cash holdings to another bank.

Any securities placed as collateral are disclosed on the Portfolios of Investments.

If a Fund has posted collateral to a counterparty, in a counterparty insolvency, that Fund may have the right under trading agreements with the counterparty to recall such posted collateral. In practice, however, the Fund may seek to reduce any amounts owed to the counterparty to settle any open transactions by setting off the amounts owed against the posted collateral. If the Fund was due back any collateral after setting off against the amounts owed (e.g., the Fund's position was over collateralised), it is likely the Fund would have an unsecured claim against the counterparty in the insolvency proceeding for the excess amount due to it.

At 28 February 2010, balances due from brokers and other receivables were exposed to credit risk. The total amount of financial assets exposed to credit risk approximates to their carrying value in the Balance Sheet.

The table below sets out a summary of the credit exposure as at 28 February 2010 and 31 August 2009 based on credit ratings of the debt securities held in the Funds:

Rating	Western Asset US Dollar Liquidity Fund \$		Western Asset Sterling Liquidity Fund [^] £		Western Asset Euro Liquidity Fund [^] €		Western Asset Euro Government Liquidity Fund [^] €	
	2010	2009	2010	2009	2010	2009	2010	2009
A-1+	57.2%	76.8%	60.1%	51.0%	58.8%	54.5%	67.6%	85.9%
A-1	42.8%	22.0%	39.9%	49.0%	41.2%	45.5%	32.4%	14.1%
D	-	-	-	-	-	-	-	-
Not Rated	-	1.2%	-	-	-	-	-	-
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

15.3 Liquidity Risk

The Company's prospectus provides for the daily creation and cancellation of shares and the Company is therefore exposed to the liquidity risk of meeting shareholder redemptions at any time.

The Administrator monitors subscription and redemption volumes on a daily basis and notifies the Sub-Investment Manager of significant movements and unusual trends as appropriate. The Company can limit redemptions, if redemption requests on any dealing day (as defined in the prospectus) exceed 10% of the shares in issue in respect of any Fund. The Company may defer the excess redemption requests to subsequent dealing days and shall redeem such shares ratably.

The Company has the ability to borrow in the short term to ensure settlement. In accordance with the Regulations a Fund may not borrow money except as follows:

- (a) a Fund may acquire foreign currency by means of a "back-to-back" loan; and
- (b) a Fund may borrow:
 - (i) up to 10% of its net asset value provided that such borrowing is on a temporary basis; and
 - (ii) up to 10% of its net asset value provided that the borrowing is to make possible the acquisition of real property required for the purpose of its business;

provided that such borrowing referred to in subparagraph b (i) and (ii) may not in total exceed 15% of the borrower's assets.

No such borrowings have arisen during the period.

One of the responsibilities of the Valuation Committee is to review and deliberate on valuation concerns, including illiquid securities. At least monthly, the Sub-Investment Manager reports to the Valuation Committee whether any holding of each Fund is illiquid. The Sub-Investment Manager determines on an on-going basis whether any security is illiquid based on whether or not the security may be sold or disposed of within seven days at approximately the current market value. In the event a security is determined to be illiquid, the Sub-Investment Manager immediately notifies the Administrator in order to ensure that the security is properly classified by the Fund.

[^] Not authorised in Hong Kong and not available to Hong Kong residents.

Notes to Financial Statements - (continued)

15. Risk Exposure and Risk Management - (continued)

15.3 Liquidity Risk - (continued)

The Company may from time to time invest in derivative contracts traded OTC, which are not traded in an organised public market and may be illiquid. As a result, the Company may not be able to liquidate quickly its investments in these instruments at an amount close to their fair value in order to meet its liquidity requirements or to respond to specific events such as deterioration in the creditworthiness of any particular issuer.

The cash outflows below are presented as undiscounted gross amounts if the amounts will settle on a gross basis and undiscounted net amounts if the amounts will settle on a net basis.

Details of residual contractual maturities of financial liabilities for each Fund are outlined below:

28 February 2010

	Western Asset US Dollar Liquidity Fund \$	Western Asset Sterling Liquidity Fund ^A £	Western Asset Euro Liquidity Fund ^A €	Western Asset Euro Government Liquidity Fund ^A €	Total \$
Liabilities					
Less than 1 month					
Dividend Distributions Payable to Holders of Redeemable Participating Shares	39,872	52,230	73,065	-	219,055
Payable for Investments Purchased	50,000,000	-	-	-	50,000,000
Investment Managers' Fee Payable	356,531	-	48,547	-	422,705
Administration, Transfer Agent Services and Custodian Fees Payable	89,401	7,658	13,530	1,282	121,260
Distribution Fee Payable	227,391	26,604	45,156	2,566	332,980
Accrued Expenses	165,728	6,454	14,069	17,312	218,338
Redeemable Participating Shares	4,952,823,591	401,098,863	650,286,169	68,323,289	6,543,554,591
3 months – 1 year					
Accrued Expenses	188,259	49,726	100,934	10,865	416,425
Total Financial Liabilities	5,003,890,773	401,241,535	650,581,470	68,355,314	6,595,285,354

31 August 2009

	Western Asset US Dollar Liquidity Fund \$	Western Asset Sterling Liquidity Fund ^A £	Western Asset Euro Liquidity Fund ^A €	Euro Liquidity Plus Fund ^A €	Western Asset Euro Government Liquidity Fund ^A €	Total \$
Liabilities						
Less than 1 month						
Dividend Distributions Payable to Holders of Redeemable Participating Shares	224,065	76,196	173,096	-	617	597,198
Payable for Investments Purchased	77,975,873	95,000,000	-	-	-	232,721,373
Investment Managers' Fee Payable	323,034	-	94,341	-	-	458,272
Administration, Transfer Agent Services and Custodian Fees Payable	98,377	12,899	21,445	-	1,406	152,145
Distribution Fee Payable	273,033	59,221	68,415	-	2,813	471,604
Accrued Expenses	71,919	4,687	10,168	-	6,304	103,166
Redeemable Participating Shares	4,070,318,526	623,848,757	906,099,280	-	67,255,824	6,481,810,308
3 months – 1 year						
Accrued Expenses	159,769	55,425	104,243	29,835	16,631	466,092
Total Financial Liabilities	4,149,444,596	719,057,185	906,570,988	29,835	67,283,595	6,716,780,158

^A Not authorised in Hong Kong and not available to Hong Kong residents.

Notes to Financial Statements - (continued)

16. Efficient Portfolio Management

For the purpose of efficient portfolio management, the Funds may use the following techniques and instruments: options, futures, currency swaps, interest rate swaps, repurchase agreements, buy and sell back agreements and stock lending. The Funds may also purchase assets in a wide range of currencies but will normally hedge these currencies back to the currency of denomination of the relevant Funds. The hedge may take the form of a non-base currency contract or any other appropriate instruments. The use of techniques and instruments by the Funds for the purposes of efficient portfolio management will be subject to the conditions and limits thereon laid down by the Financial Regulator. During the period ended 28 February 2010 the Company has utilised those investment techniques and instruments as listed below for the purpose of efficient portfolio management.

Futures Contracts

The Funds may enter into such contracts to hedge a portion of its portfolio. The relevant Fund bears the market risk that arises from the changes in the value of the financial instruments and securities indices on which the relevant futures contract is based.

None of the Funds held futures at 28 February 2010 or 31 August 2009.

Repurchase Agreements

For the purposes of efficient portfolio management, the Company may purchase (and its custodian takes possession of) securities from banks and securities dealers subject to agreements to resell the securities to the sellers at a future date (generally, the next business day) at an agreed-upon higher repurchase price. Continual maintenance is required of the market value (plus accrued interest) of the collateral to each such trade in an amount at least equal to the relevant repurchase price.

At 28 February 2010 Western Asset Sterling Liquidity Fund[^], Western Asset Euro Liquidity Fund[^] and Western Asset Euro Government Liquidity Fund[^] had entered into repurchase agreements. At 31 August 2009 Western Asset Sterling Liquidity Fund[^] and Western Asset Euro Liquidity Fund[^] had entered into repurchase agreements.

17. Investment in Structured Securities

Investments in asset backed, mortgage related and other types of structured securities which are issued by special purpose vehicles (such as SIVs) may be subject to certain credit and liquidity risks. Market conditions may significantly impair the value of these types of investments resulting in a lack of correlation between their credit ratings and values. For example a SIV collateralised by residential mortgages may find that market conditions could result in the underlying mortgages' default rates increasing and their foreclosure values being materially below any outstanding amounts. In such circumstances collection of the full amount of accrued interest and principal on such investments may be affected.

As at 28 February 2010 and 31 August 2009 the Company did not hold any SIV investments.

18. Amendments to the Prospectus

The Company has issued the following documents which have been approved by the Financial Regulator:

- Simplified Prospectus dated 26 January 2010 was issued in respect of the Western Asset US Dollar Liquidity Fund, Western Asset Sterling Liquidity Fund[^], Western Asset Euro Liquidity Fund[^] and Western Asset Euro Government Liquidity Fund[^].

There were no other significant amendments noted.

19. Significant Events

The following are significant events that occurred in the period ended 28 February 2010:

Frank Ennis resigned as director effective 25 August 2009. Joseph Keane was appointed as director of the Company with effect from 11 September 2009.

The Financial Regulator revoked authorisation for the Western Asset Euro Liquidity Plus Fund[^] on 31 December 2009.

20. Subsequent Events

On 31 March 2010, the Western Asset Euro Liquidity Fund[^] Capital Support Agreement expired.

[^] Not authorised in Hong Kong and not available to Hong Kong residents.

Statements of Portfolio Changes for the period ended 28 February 2010 (unaudited)

In accordance with the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2003 (S.I. No 211 of 2003) (as amended), a statement of largest changes in the composition of the Portfolio of Investments during the reporting period is provided to ensure that shareholders can identify changes in the investments held by each Fund. These statements present the aggregate purchases and sales of transferable securities (including maturities but excluding financial derivative instruments and deposits with credit institutions), exceeding 1.00% of the total value of purchases and sales for the period. At a minimum the largest 20 purchases and 20 sales are listed. If a Fund entered into less than twenty purchases or sales during the reporting period, then all transactions are present.

WESTERN ASSET US DOLLAR LIQUIDITY FUND

MAJOR PURCHASES	COST (\$)	MAJOR SALES	PROCEEDS (\$)
General Electric Capital Corp., 1.000% due 01/20/2010	169,999,339	General Electric Capital Corp., 1.000% due 1/20/2010	170,000,000
General Electric Capital Corp., 1.000% due 10/06/2009	149,999,458	General Electric Capital Corp., 1.000% due 10/06/2009	150,000,000
Abbey National North America LLC, 1.000% due 01/22/2010	149,999,458	General Electric Capital Corp., 0.152% due 12/04/2009	150,000,000
General Electric Capital Corp., 0.132% due 02/04/2010	149,999,458	Abbey National North America LLC, 1.000% due 01/22/2010	150,000,000
General Electric Capital Corp., 0.152% due 12/04/2009	149,999,375	General Electric Capital Corp., 0.132% due 02/04/2010	150,000,000
General Electric Capital Corp., zero coupon due 02/02/2010	149,999,334	General Electric Capital Corp., zero coupon due 02/02/2010	150,000,000
General Electric Capital Corp., zero coupon due 09/22/2009	149,999,334	General Electric Capital Corp., zero coupon due 09/22/2009	150,000,000
Automatic Data Processing, 0.170% due 09/14/2009	144,998,067	Automatic Data Processing, 0.170% due 09/14/2009	145,000,000
General Electric Capital Corp., 0.180% due 09/04/2009	139,542,302	General Electric Capital Corp., 0.180% due 09/04/2009	139,543,000
FHLMC Corp. Discount Note, zero coupon due 07/26/2010	135,193,434	Bank of America Corp., 0.180% due 09/03/2009	130,000,000
Bank of America Corp., 0.180% due 09/03/2009	129,999,350	Societe Generale North America, 0.150% due 11/12/2009	125,000,000
Total Capital S.A., 0.132% due 02/04/2010	124,999,549	UBS Finance Delaware, 0.152% due 12/08/2009	125,000,000
UBS Finance Delaware, 0.152% due 12/08/2009	124,999,479	Bank of America Corp., 0.180% due 09/04/2009	125,000,000
Societe Generale N.A., zero coupon due 11/13/2009	124,999,479	Societe Generale North America, 1.000% due 09/24/2009	125,000,000
Bank of America Corp., 0.180% due 09/04/2009	124,999,375	General Electric Capital Corp, 0.130% due 10/05/2009	125,000,000
Societe Generale North America, 1.000% due 09/24/2009	124,999,375	Total Capital S.A., 0.132% due 02/04/2010	125,000,000
Societe Generale North America, 0.150% due 11/12/2009	124,998,958	General Electric Capital Corp, 0.122% due 02/08/2010	125,000,000
General Electric Capital Corp, 0.122% due 02/08/2010	124,998,750	FNMA, 0.390% due 09/03/2009	125,000,000
General Electric Capital Corp, 0.130% due 10/05/2009	124,998,646	Societe Generales North America, zero coupon due 11/13/2009	125,000,000
Abbey National North America LLC, 0.120% due 10/19/2009	114,998,850	Wells Fargo & Co., 1.000% due 09/01/2009	120,000,000

Statements of Portfolio Changes for the period ended 28 February 2010 (unaudited) - (continued)

WESTERN ASSET STERLING LIQUIDITY FUND[^]

MAJOR PURCHASES	COST (£)	MAJOR SALES	PROCEEDS (£)
UK Treasury Bill, zero coupon due 10/12/2009	99,978,082	UK Treasury Bill, zero coupon due 10/12/2009	100,000,000
UK Treasury Bill, 0.320% due 10/12/2009	99,978,082	Royal Bank of Scotland, 1.552% due 09/15/2009	20,000,000
Bank of Tokyo Mitsubishi UFJ, 0.500% due 03/08/2010	21,982,233	Lloyds TSB Bank Plc, 0.727% due 01/18/2010	20,000,000
Societe Generale, 0.493% due 03/24/2010	21,976,819	GE Capital UK Funding, 0.995% due 02/01/2010	20,000,000
Nordea Bank, 0.581% due 04/06/2010	21,968,041	Nordea Bank, 0.430% due 11/26/2009	16,000,000
Pohjola Bank, 0.581% due 03/16/2010	16,681,395	Banco Bilbao, 0.473% due 01/18/2010	16,000,000
Nordea Bank, 0.430% due 11/26/2009	15,996,043	Banque Et Caisse Epargne, 0.443% due 02/09/2010	16,000,000
Banque Et Caisse Epargne, 0.443% due 02/09/2010	15,987,779	Unicredito Italiano, 0.420% due 01/27/2010	15,500,000
Banco Bilbao, 0.473% due 01/18/2010	15,986,965	BPCE S.A., 0.454% due 01/20/2010	15,500,000
Banque Federative du Credit Mutuel, 0.571% due 04/27/2010	15,973,349	DNB Nor Bank, 0.399% due 11/26/2009	15,000,000
Royal Bank of Scotland, 0.561% due 04/29/2010	15,973,309	BNP Paribas, 0.444% due 12/18/2009	15,000,000
Lloyds TSB Bank Plc, 0.601% due 04/19/2010	15,776,008	DNB Nor Bank, 0.419% due 02/16/2010	15,000,000
BPCE S.A., 0.454% due 01/20/2010	15,498,633	Sanpaolo IMI Bank, 0.414% due 02/26/2010	15,000,000
Unicredito Italiano, 0.420% due 01/27/2010	15,497,503	Rabobank, 0.413% due 02/26/2010	15,000,000
Calyon, 0.430% due 02/26/2010	15,000,000	Calyon, 0.430% due 02/26/2010	15,000,000
Svenska Handelsbanken, 0.500% due 04/22/2010	14,999,998	Westpac Banking Corp., 0.891% due 01/29/2010	15,000,000
DNB Nor Bank, 0.399% due 11/26/2009	14,996,672	Danske Bank A/S, 0.606% due 01/29/2010	12,000,000
BNP Paribas, 0.444% due 12/18/2009	14,992,791	Natixis, 0.530% due 02/08/2010	11,000,000
DNB Nor Bank, 0.419% due 02/16/2010	14,989,179	National Australia Bank, 0.443% due 12/17/2009	10,000,000
Sanpaolo IMI Bank, 0.414% due 02/26/2010	14,987,583	ENI Coordination Center, 0.444% due 10/21/2009	10,000,000
Rabobank, 0.413% due 02/26/2010	14,987,583	Pohjola Bank, 0.444% due 11/26/2009	10,000,000
Westpac Trust, 0.502% due 04/26/2010	14,981,788	Royal Bank of Scotland, 0.414% due 12/17/2009	10,000,000
Banco Bilbao, 0.512% due 04/26/2010	14,981,431	Unicredito Italiano, 0.460% due 12/30/2009	10,000,000
Bank of Tokyo Mitsubishi UFJ, 0.480% due 03/16/2010	12,495,399	Toyota Motor Credit Corp., 0.390% due 10/29/2009	10,000,000
DNB Nor Bank, 0.493% due 03/16/2010	12,495,207	Natixis, 0.468% due 12/21/2009	10,000,000
Natixis, 0.530% due 02/08/2010	10,994,732	DNB Nor Bank, 0.375% due 10/26/2009	10,000,000
Unicredito Italiano, 0.552% due 03/31/2010	10,985,842	Banque Et Caisse Epargne, 0.412% due 11/27/2009	10,000,000
Bank of Tokyo Mitsubishi UFJ, 0.460% due 12/22/2009	10,000,094	Dexia Credit Local, 0.473% due 11/17/2009	10,000,000

[^] Not authorised in Hong Kong and not available to Hong Kong residents.

Statements of Portfolio Changes for the period ended 28 February 2010 (unaudited) - (continued)

WESTERN ASSET STERLING LIQUIDITY FUND[^] - (continued)

MAJOR PURCHASES - (continued)	COST (£)	MAJOR SALES - (continued)	PROCEEDS (£)
HSBC Bank Plc, 0.440% due 01/19/2010	10,000,000	Bank of Tokyo Mitsubishi UFJ, 0.460% due 12/22/2009	10,000,000
Barclays Bank Plc, 0.450% due 02/19/2010	10,000,000	HSBC Bank Plc, 0.440% due 01/19/2010	10,000,000
DNB Nor Bank, 0.375% due 10/26/2009	9,998,647	Royal Bank of Scotland, 0.434% due 12/29/2009	10,000,000
ENI Coordination Center, 0.444% due 10/21/2009	9,998,398	Natixis, 0.404% due 11/20/2009	10,000,000
Toyota Motor Credit Corp., 0.390% due 10/29/2009	9,998,269	Danske Bank, 0.399% due 11/27/2009	10,000,000
Natixis, 0.404% due 11/20/2009	9,996,070	National Australia Bank, 0.503% due 02/16/2010	10,000,000
Banque Et Caisse Epargne, 0.412% due 11/27/2009	9,995,542	Barclays Bank Plc, 0.450% due 02/19/2010	10,000,000
Dexia Credit Local, 0.473% due 11/17/2009	9,995,531	Societe Generale, 0.630% due 09/29/2009	10,000,000
Danske Bank, 0.399% due 11/27/2009	9,995,342	BNP Paribas, 0.375% due 10/21/2009	10,000,000
Pohjola Bank, 0.444% due 11/26/2009	9,993,963	Bank of Nova Scotia, 0.840% due 01/28/2010	10,000,000
Royal Bank of Scotland, 0.414% due 12/17/2009	9,991,952	Barclays Bank Plc, 0.443% due 01/18/2010	9,000,000
National Australia Bank, 0.443% due 12/17/2009	9,991,377	ING Bank, 0.444% due 12/17/2009	9,000,000
National Australia Bank, 0.503% due 02/16/2010	9,991,345	Pohjola Bank, 0.503% due 12/30/2009	9,000,000
Royal Bank of Scotland, 0.434% due 12/29/2009	9,991,087	Societe Generale, 0.430% due 12/23/2009	9,000,000
Natixis, 0.468% due 12/21/2009	9,991,029	Banco Bilbao, 0.493% due 11/13/2009	9,000,000
Unicredito Italiano, 0.460% due 12/30/2009	9,989,551	Societe Generale, 0.450% due 12/17/2009	8,000,000
Bank of Western Australia, 0.620% due 03/16/2010	9,984,490	Pohjola Bank, 0.453% due 12/24/2009	8,000,000
Calyon, 0.703% due 07/19/2010	9,964,475	Banque Federative du Credit Mutuel, 0.463% due 12/23/2009	8,000,000
Societe Generale, 0.430% due 12/23/2009	9,000,000	Banque Federative du Credit Mutuel, 0.562% due 02/09/2010	8,000,000
ING Bank, 0.444% due 12/17/2009	8,996,672	DNB Nor Bank, 0.296% due 10/09/2009	8,000,000
Pohjola Bank, 0.503% due 12/30/2009	8,996,480	Nestle Finance, 0.345% due 10/13/2009	8,000,000
Barclays Bank Plc, 0.443% due 01/18/2010	8,993,126	Sanpaolo IMI Bank, 0.345% due 10/12/2009	8,000,000
		Nordea Bank, 0.306% due 10/12/2009	8,000,000
		NRW Bank, 0.316% due 10/13/2009	8,000,000

[^] Not authorised in Hong Kong and not available to Hong Kong residents.

Statements of Portfolio Changes for the period ended 28 February 2010 (unaudited) - (continued)

WESTERN ASSET EURO LIQUIDITY FUND[^]

MAJOR PURCHASES	COST (€)	MAJOR SALES	PROCEEDS (€)
French Treasury Bill, zero coupon due 10/15/2009	68,996,109	French Treasury Bill, zero coupon due 10/15/2009	69,000,000
France O.A.T, 4.000% due 10/25/2009	50,585,850	GE Capital Euro Funding, 1.287% due 09/18/2009	68,000,000
German Treasury Bill, zero coupon due 11/18/2009	39,988,292	CSSE Cen CSSE Eparg, 1.295% due 09/28/2009	60,000,000
Danske Bank, 0.280% due 02/15/2010	33,997,356	France O.A.T, 4.000% due 10/25/2009	50,500,000
BNP London, 0.380% due 12/21/2009	30,000,000	German Treasury Bill, zero coupon due 11/18/2009	39,999,368
Nordea Bank, 0.320% due 02/18/2010	29,989,870	KBC IFIMA N.A., 0.983% due 01/25/2010	36,000,000
Banco Bilbao, 0.395% due 02/18/2010	29,989,799	Danske Bank, 0.280% due 02/15/2010	34,000,000
Societe Generale, 0.390% due 12/21/2009	29,989,604	BNP Paribas, 0.330% due 02/26/2010	30,000,000
BNP Paribas, 0.330% due 02/26/2010	29,987,355	Nordea Bank, 0.320% due 02/18/2010	30,000,000
Bank of Tokyo Mitsubishi UFJ, 0.595% due 07/12/2010	29,910,029	Societe Generale, 0.390% due 12/21/2009	30,000,000
French Treasury Bill, zero coupon due 10/29/2009	24,995,570	BNP London, 0.380% due 12/21/2009	30,000,000
Unicredito Italiano, 0.330% due 03/18/2010	24,993,585	Banco Bilbao, 0.395% due 02/18/2010	30,000,000
Banco Bilbao, 0.340% due 03/18/2010	24,993,391	French Treasury Bill, zero coupon due 10/29/2009	25,000,000
Nordea Bank, 0.340% due 03/18/2010	24,993,391	BPCE S.A., 0.250% due 01/20/2010	24,000,000
BPCE S.A., 0.250% due 01/20/2010	23,998,833	French Treasury Bill, zero coupon due 02/25/2010	21,000,000
Abbey National Treasury Services Plc, 0.270% due 03/24/2010	23,495,066	Pohjola Bank, 0.420% due 01/18/2010	20,000,000
Rabobank, 0.270% due 03/24/2010	23,495,066	Bank of Tokyo Mitsubishi UFJ, 0.350% due 12/16/2009	20,000,000
French Treasury Bill, zero coupon due 02/25/2010	20,997,836	Banco Bilbao, 0.390% due 12/16/2009	20,000,000
Bank of Tokyo Mitsubishi UFJ, 0.350% due 12/16/2009	20,000,000	Royal Bank of Scotland, 0.400% due 01/18/2010	20,000,000
Banco Bilbao, 0.390% due 12/16/2009	19,993,502	Banque Federative du Credit Mutuel, 0.460% due 01/07/2010	20,000,000
Banque Federative du Credit Mutuel, 0.460% due 01/07/2010	19,987,741	Rabobank, 0.370% due 12/03/2009	18,000,000
Royal Bank of Scotland, 0.400% due 01/18/2010	19,986,010	Unicredito Italiano, 0.280% due 01/27/2010	17,500,000
Pohjola Bank, 0.420% due 01/18/2010	19,985,311	Lloyds Bank, 0.360% due 12/23/2009	17,000,000
Bank of Western Australia, 0.410% due 05/04/2010	19,979,294	Unicredito Italiano, 0.545% due 01/29/2010	17,000,000
Rabobank, 0.370% due 12/03/2009	17,994,637	Banque Federative du Credit Mutuel, 0.330% due 11/25/2009	17,000,000
Unicredito Italiano, 0.280% due 01/27/2010	17,498,095	Bank of Scotland, 0.330% due 12/16/2009	17,000,000

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Statements of Portfolio Changes for the period ended 28 February 2010 (unaudited) - (continued)

WESTERN ASSET EURO LIQUIDITY FUND[^] - (continued)

MAJOR PURCHASES - (continued)	COST (€)	MAJOR SALES - (continued)	PROCEEDS (€)
Calyon, 0.460% due 02/04/2010	17,000,000	Calyon, 0.460% due 02/04/2010	17,000,000
Banque Federative du Credit Mutuel, 0.330% due 11/25/2009	16,996,728	Pohjola Bank, 0.310% due 11/27/2009	16,999,670
Pohjola Bank, 0.310% due 11/27/2009	16,996,634	Natixis, 0.350% due 11/30/2009	16,999,174
Natixis, 0.350% due 11/30/2009	16,995,704	Royal Bank of Scotland, 0.285% due 11/30/2009	16,000,000
Bank of Scotland, 0.330% due 12/16/2009	16,993,458	French Treasury Bill, zero coupon due 10/22/2009	16,000,000
Lloyds Bank, 0.360% due 12/23/2009	16,991,674	Banco Bilbao, 0.350% due 11/25/2009	15,000,000
Unicredito Italiano, 0.545% due 01/29/2010	16,977,896	Bank of Tokyo Mitsubisihi UFG, 0.380% due 12/29/2009	15,000,000
French Treasury Bill, zero coupon due 10/22/2009	15,998,067	Unicredito Italiano, 0.420% due 12/18/2009	15,000,000
Royal Bank of Scotland, 0.285% due 11/30/2009	15,996,961	Santander, 0.400% due 11/17/2009	15,000,000
Banque Federative du Credit Mutuel, 0.027% due 03/24/2010	15,496,746	Clydesdale Bank, 0.394% due 12/24/2009	15,000,000
Societe Generale, 1.284% due 04/15/2010	15,052,350	BNP Paribas, 0.370% due 12/09/2009	15,000,000
Bank of Tokyo Mitsubisihi UFG, 0.380% due 12/29/2009	15,000,154	Pohjola Bank, 0.340% due 02/18/2010	15,000,000
BNP Paribas, 0.370% due 12/09/2009	15,000,000	Calyon Australia, 0.360% due 10/19/2009	15,000,000
Pohjola Bank, 0.340% due 02/18/2010	14,995,610	Societe Generale, 0.410% due 11/18/2009	15,000,000
Santander, 0.400% due 11/17/2009	14,994,669	Rabobank, 0.390% due 11/18/2009	15,000,000
Pohjola Bank, 0.325% due 10/20/2009	14,994,450	Lloyds TSB Bank, 0.400% due 10/26/2009	15,000,000
Banco Bilbao, 0.350% due 11/25/2009	14,994,023	Pohjola Bank, 0.325% due 10/20/2009	15,000,000
Natixis, 0.400% due 11/27/2009	14,992,837	Natixis, 0.400% due 11/27/2009	14,999,708
Lloyds TSB Bank, 0.400% due 10/26/2009	14,992,171	Auto ABS Compartments, 1.614% due 05/18/2018	13,780,574
Unicredito Italiano, 0.420% due 12/18/2009	14,988,983	Globaldrive BV, 1.435% due 02/20/2016	12,992,030
Clydesdale Bank, 0.394% due 12/24/2009	14,988,509		
Sanpaolo IMI Bank, 0.845% due 07/05/2010	13,910,336		
Pohjola Bank, 0.320% due 03/31/2010	11,495,810		

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Statements of Portfolio Changes for the period ended 28 February 2010 (unaudited) - (continued)

WESTERN ASSET EURO GOVERNMENT LIQUIDITY FUND[^]

MAJOR PURCHASES	COST (€)	MAJOR SALES	PROCEEDS (€)
French Treasury Bill, zero coupon due 02/18/2010	19,295,335	French Treasury Bill, zero coupon due 02/18/2010	19,299,995
Dutch Treasury Certificate, zero coupon due 01/29/2010	18,489,084	Dutch Treasury Certificate, zero coupon due 01/29/2010	18,499,992
French Treasury Bill, zero coupon due 01/28/2010	17,691,674	French Treasury Bill, zero coupon due 01/28/2010	17,699,530
French Treasury Bill, zero coupon due 02/25/2010	15,998,605	French Treasury Bill, zero coupon due 02/25/2010	16,000,000
Dutch Treasury Certificate, zero coupon due 12/31/2009	11,996,671	Dutch Treasury Certificate, zero coupon due 10/16/2009	14,000,000
Dutch Treasury Certificate, zero coupon due 11/30/2009	9,998,917	Dutch Treasury Certificate, zero coupon due 11/13/2009	11,999,682
Dutch Treasury Certificate, zero coupon due 11/13/2009	9,996,801	Dutch Treasury Certificate, zero coupon due 12/31/2009	11,999,504
Dutch Treasury Certificate, zero coupon due 04/30/2010	9,994,481	Dutch Treasury Certificate, zero coupon due 11/30/2009	10,000,000
French Treasury Bill, zero coupon due 03/04/2010	7,495,802	French Discount Treasury Bill, zero coupon due 10/15/2009	8,000,000
Dutch Treasury Certificate, zero coupon due 06/30/2010	7,489,178	French Treasury Bill, zero coupon due 01/07/2010	7,100,000
French Treasury Bill, zero coupon due 05/20/2010	7,389,538	German Treasury Bill, zero coupon due 11/18/2009	6,999,921
French Treasury Bill, zero coupon due 01/07/2010	7,096,901	French Treasury Bill, zero coupon due 11/26/2009	6,950,000
German Treasury Bill, zero coupon due 11/18/2009	6,998,011	France O.A.T., 4.000% due 10/25/2009	6,500,000
French Treasury Bill, zero coupon due 11/26/2009	6,948,085	German Treasury Bill, zero coupon due 09/30/2009	6,000,000
France O.A.T., 4.000% due 10/25/2009	6,511,050	French Treasury Bill, zero coupon due 02/11/2010	5,799,968
French Treasury Bill, zero coupon due 02/11/2010	5,796,788	German Treasury Bill, zero coupon due 11/18/2009	5,500,000
German Treasury Bill, zero coupon due 11/18/2009	5,498,760	German Treasury Bill, zero coupon due 01/13/2010	5,100,000
French Treasury Bill, zero coupon due 04/15/2010	5,497,938	French Treasury Bill, zero coupon due 12/10/2009	5,100,000
German Treasury Bill, zero coupon due 01/13/2010	5,098,433	French Treasury Bill, zero coupon due 09/24/2009	5,000,000
French Treasury Bill, zero coupon due 12/10/2009	5,097,059	French Treasury Bill, zero coupon due 09/10/2009	5,000,000
Finnish Treasury Bill, zero coupon due 04/13/2010	4,995,754	German Treasury Bill, zero coupon due 12/09/2009	4,999,988
French Treasury Bill, zero coupon due 12/24/2009	4,995,076	French Treasury Bill, zero coupon due 12/24/2009	4,999,947
German Treasury Bill, zero coupon due 12/16/2009	4,298,429	Dutch Treasury Certificate, zero coupon due 10/30/2009	4,749,998
German Treasury Bill, zero coupon due 02/17/2010	3,298,240	German Treasury Bill, zero coupon due 12/16/2009	4,299,936
German Treasury Bill, zero coupon due 10/28/2009	2,999,837	French Discount Treasury Bill, zero coupon due 10/08/2009	4,000,000

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Statements of Portfolio Changes for the period ended 28 February 2010 (unaudited) - (continued)**WESTERN ASSET EURO GOVERNMENT LIQUIDITY FUND[^] - (continued)**

MAJOR PURCHASES - (continued)	COST (€)	MAJOR SALES - (continued)	PROCEEDS (€)
French Treasury Bill, zero coupon due 12/31/2009	2,997,975	German Treasury Bill, zero coupon due 02/17/2010	3,299,876
French Treasury Bill, zero coupon due 07/01/2010	2,988,043	German Treasury Bill, zero coupon due 10/28/2009	3,000,000
German Treasury Bill, zero coupon due 03/17/2010	2,494,514	French Treasury Bill, zero coupon due 12/31/2009	3,000,000

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