

WESTERN ASSET LIQUIDITY FUNDS PLC

(FORMERLY CITI INSTITUTIONAL LIQUIDITY FUND PLC)
(A COMPANY WITH VARIABLE SHARE CAPITAL AND LIMITED LIABILITY)



ANNUAL REPORT

FOR THE YEAR ENDED 31 AUGUST 2009

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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:	Matsack Trust Limited 70 Sir John Rogerson's Quay 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:	Matheson Ormsby Prentice 70 Sir John Rogerson's Quay 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 N.A. Global Corporate & Investment Bank (GCIB) 8, Othonos str 10557 Athens Greece
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German Paying Agent:	Citibank Privatkunden AG & Co. KgaA Kasernenstraße 10 40213 Düsseldorf 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 with an effective date of 11 September 2009.

** 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[^] (formerly Euro Liquidity Fund) and Western Asset Sterling Liquidity Fund[^] (formerly Sterling Liquidity Fund). On the same date, Western Asset Management Company Limited was appointed as the Sub-Investment Manager to each of the Funds.

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

Investment Managers' Reports for the year ended 31 August 2009

WESTERN ASSET USD LIQUIDITY FUND (formerly USD Liquidity Fund)

Market Review

The U.S. economy started to show tentative signs of stabilisation over the last six months and reduced concerns over recapitalisation needs of financial institutions continued to boost market sentiment. The Treasury released the much anticipated stress test results and indicated that the largest U.S. banks needed to raise less capital than market participants feared. The U.S. Federal Reserve (the Fed¹) left the targeted federal funds rate at close to zero over the period, but continued to provide additional liquidity to the financial system by purchasing MBS (Mortgage Backed Securities), U.S. Treasuries and agencies. The Fed raised their outlook on the state of the economy, referring to economic activity as having "leveled off" as opposed to "contracting". The Committee² continued to feel that substantial slack in the economy would help to keep inflation subdued. Given the current economic and financial environment, the Fed believes exceptionally low rates will still be warranted for an extended period. While market participants believe the economic environment continues to improve, headwinds do remain and any recovery is likely to be of a more gradual nature. Increased consumer spending and an improving employment picture will be key to any sustainable recovery. Nevertheless, the Fed needs to remain vigilant and, as the recovery gains traction, will need to begin removing some of the liquidity it has provided over the last year.

Money market yields declined sharply over the period as financial conditions improved and investor confidence returned to the marketplace. Strains in the interbank lending market eased and three-month LIBOR declined over 90 basis points, breaking through 1.00% for the first time, before closing at 0.35%. Short-term market risk indicators improved as the markets reacted favourably to ongoing globally coordinated central bank initiatives. The TED³ spread fell by 81 basis points to 22 basis points, while the LIBOR/OIS (Overnight Index Swaps) spread narrowed to 17 basis points from 25. Throughout the fiscal period we maintained a long average maturity to lock in higher yields. We selectively added bank obligations and corporate commercial paper while also maintaining a portion of the fund in government-backed paper. Increased supply of U.S. Treasuries and agencies made these an attractive asset class and at the same time providing quality and liquidity.

Portfolio Review

Over the year, the gross performance of Western Asset USD Liquidity Fund was 1.50% versus 0.53% for the benchmark.

Western Asset Management Company

10 November 2009

WESTERN ASSET STERLING LIQUIDITY FUND[^] (formerly Sterling Liquidity Fund)

Market Review

The UK economy weakened and entered recession in 2008. Output contracted for 5 consecutive quarters bringing growth down from +1.8% year-on-year in 2008 Q2 to -5.5% year-on-year in 2009 Q2. Unemployment (as provided by the International Labour Organisation (ILO)) rose from 5.7% in August 2008 to 7.90% in July 2009. Nevertheless, the economy seems to recover slowly as the pace of contraction is decreasing. Consumer confidence rose from a low of -39 in July 2008 to -25 in August 2009 and property prices have started to recover, Nationwide Building Society reported 4 consecutive monthly rises. PMI⁴ manufacturing rose from 45.3 in August 2008 to 49.7 in August 2009 after bottoming at 34.5 in November 2008. PMI services rose above 50 in August 2009 at 54.1, which suggests that the economy will soon grow again.

Headline inflation fell from a high of 5.2% year-on-year in September 2008 to 1.6% year-on-year in August 2009. Inflation is now expected to rise back a little as negative base effect will stop soon. Core inflation has also declined a little falling from 2% in August 2008 to 1.8% in August 2009.

Financial conditions deteriorated quickly after the collapse of Lehman and liquidity dried up considerably in September - October 2008. Fixed income markets experienced extremely low activity on anything but government bonds. Spreads across all asset class widened to reach extreme levels. Since Government have provided a huge amount of support by injecting capital, guaranteeing bank issues and providing fiscal stimulus Central banks stepped in by cutting interest rates and providing non conventional measures. The Bank of England (BOE) cut the base rate from 5% in August 2008 to 0.5% in March 2009. The BOE has also decided to finance £175 bn of asset purchase (quantitative easing) by buying corporate and government bonds.

The slope of the money market yield curve steepened by 3 basis points to 69 basis points. One-month LIBOR fell 483 basis points to 0.53%, three-month LIBOR fell 506 basis points to 0.69% and 12-month was down 479 basis points at 1.23%. Two-year gilt yield fell 363 basis points to 0.88%.

The three-month LIBOR/OIS spread tightened by 40 basis points to 36 basis points, hitting a high of 299 on 6 November 2008. Two-year swap spread widened 20 basis points to 107 basis points, with a high of 158 basis points on 26 December 2008. The iTraxx Euro Senior Financial 5-year Index fell 3 basis points to 86 basis points, with a high of 212 on 9 March 2009.

As of the end of August 2009, the OIS market was pricing in that the Base Rate has now reached its bottom at 0.50% before raising it back by around 25 basis points by April 2010 and a further 25 basis points in June 2010.

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

Investment Managers' Reports for the year ended 31 August 2009 - (continued)**Portfolio Review**

The Fund saw a lot of redemption since the fall of Lehman. In terms of investment, we increased our allocation to short term deposit and repurchase agreements and reinvested maturities in short European Commercial Paper and Certificates of Deposit.

Over the year, the gross performance of Western Asset Sterling Liquidity Fund[^] was 2.55% versus 1.56% for the benchmark.

Western Asset Management Company

10 November 2009

WESTERN ASSET EURO LIQUIDITY FUND[^] (formerly Euro Liquidity Fund)**WESTERN ASSET EURO GOVERNMENT LIQUIDITY FUND[^]****Market Review**

The European economy weakened and entered recession in 2008. Output contracted for 5 consecutive quarters bringing growth down from +1.5% year-on-year in 2008 Q2 to -4.7% year-on-year in 2009 Q2. Unemployment rose from 7.6% in August 2008 to 9.50% in July 2009. Nevertheless, the economy seems to recover slowly as the last quarter growth was almost flat. Germany and France have come out of the recession in the second quarter 2009. Confidence indicators reached their trough in March 2009 and continued to improve since. PMI⁴ manufacturing rose from 47.6 in August 2008 to 48.2 in August 2009 after falling to 33.5 in February 2009. PMI service followed the same pattern and PMI composite increased above the neutral level of 50 at 50.4 in August 2009 (vs 48.2 in August 2008) which indicates that the economy will grow back soon.

Headline inflation collapsed from a high of 4% year-on-year in July 2008 to -0.2% year-on-year in August 2009. This was the third consecutive negative print. Inflation is now expected to rise back a little as negative base effect will stop soon. Core inflation has also declined but the drop wasn't as spectacular. Core inflation fell from 1.9% in August 2008 to 1.3% in August 2009.

Financial conditions deteriorated quickly after the collapse of Lehman and liquidity dried up considerably in September - October 2008. Fixed income markets experienced extremely low activity on anything but government bonds. Spreads across all asset class widened to reach extreme levels. Since Governments have provided a huge amount of support by injecting capital, guaranteeing bank issues and providing fiscal stimulus. Central banks stepped in by cutting interest rate and providing non conventional measures. The ECB (European Central Bank) cut the Refi⁵ rate from 4.25% in August 2008 to 1% in May 2009. The ECB also provided extra liquidity to the market by introducing long term refinancing operations. The 1-year tender was introduced in June 2009 and the central bank has provided €442 bn cash to banks at 1% for one year period. The ECB also decided to support the European covered bond market by buying up to €60 bn of bonds over 12 months.

The slope of the money market yield curve steepened 4 basis points to 86 basis points. One-month Euribor fell by 407 basis points to 0.43%, three-month Euribor fell by 416 basis points to 0.80% and 12-month fell by 403 basis points to 1.30%. Two-year German government yield fell 287 basis points to 1.24%.

The three-month Euribor/OIS spread tightened by 21 basis points to 43 basis points, hitting a high of 196 basis points on 10 October 2008. Two-year swap spread tightened by 24 basis points to 51 basis points, hitting a high of 124 basis points on 10 October 2008. The iTraxx Euro Senior Financial 5-year Index fell 3 basis points to 86 basis points, with a high of 212 on 9 March 2009.

As of the end of August, the OIS market was pricing in that the Base Rate would increase 25 basis points by April 2010.

Portfolio Review

The Western Asset Euro Liquidity Fund saw a lot of redemption since the fall of Lehman. In terms of investment, we increased our allocation to short term deposit and repurchase agreements and reinvested maturities in short European Commercial Paper and Certificates of Deposit.

Over the year, the gross performance of Western Asset Euro Liquidity Fund[^] was 2.78% versus 1.77% for the benchmark.

The Western Asset Euro Government Liquidity Fund[^] commenced trading on 5 May 2009. Over the period, the gross performance of Western Asset Euro Government Liquidity Fund[^] was 0.26% versus 0.11% for the benchmark.

Western Asset Management Company

10 November 2009

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

Investment Managers' Reports for the year ended 31 August 2009 - (continued)

The following table sets out the Highest Issue Price and the Lowest Redemption Price for the Western Asset USD Liquidity Fund for the most recent ten financial periods ending 31 August.

Financial Period Ending	The Highest Issue Price	The Lowest Redemption Price
Class C		
August 2000	\$100.0511	\$100.9662
August 2001	\$101.0353	\$106.4436
August 2002	\$106.4851	\$108.7614
August 2003	\$108.7664	\$110.1468
August 2004	\$110.1497	\$111.3097
August 2005	\$111.3141	\$114.0938
August 2006	\$114.1048	\$119.2057
August 2007	\$119.2746	\$125.6773
August 2008	\$125.6952	\$130.4912
August 2009	\$130.5007	\$132.4341
Class P		
August 2006	\$100.0375	\$101.6454
August 2007	\$101.7008	\$106.9309
August 2008	\$106.9459	\$110.7412
August 2009	\$110.7487	\$112.1832

Class D, Class S and Class WA shares have a constant NAV of \$1.00 throughout the period since their inception.

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 31 August 2009 and are subject to change. Please refer to pages 12 through 16 for a list and percentage breakdown of each Fund's holdings.

- 1 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.
- 2 The Committee, FOMC, is the branch of the Federal Reserve Board that determines the direction of the monetary policy.
- 3 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.
- 4 The Purchasing Manager's Index is an indicator of the economic health of the manufacturing sector.
- 5 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.

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 10 November 2009, 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.

Directors' Report

The Directors submit their annual report together with the audited financial statements for the year ended 31 August 2009 of Western Asset Liquidity Funds plc (formerly Citi Institutional Liquidity Fund plc) (the "Company").

On 21 May 2009 the Company in general meeting passed an extraordinary resolution to amend the Company's name to "Western Asset Liquidity Funds plc" with effect from 1 June 2009 and to amend the Company's Memorandum and Articles of Association by replacing all references to "Citi Institutional Liquidity Fund plc" with "Western Asset Liquidity Funds plc". The resolution was approved by the Shareholders and consequently as of 1 June 2009 the Company's name is amended to "Western Asset Liquidity Funds plc" and its Memorandum and Articles of Association will also be amended accordingly. 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 USD Liquidity Fund
Sterling Liquidity Fund	Western Asset Sterling Liquidity Fund [^]
Euro Liquidity Fund	Western Asset Euro Liquidity Fund [^]

Effective 5 May 2009, Western Asset Euro Government Liquidity Fund[^] commenced trading.

Directors' Responsibilities

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

Irish Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with generally accepted accounting practices in Ireland, comprising applicable law and the accounting standards issued by the Accounting Standards Board and promulgated by the Institute of Chartered Accountants in Ireland.

The Company's financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the results for the year.

In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Acts 1963 to 2009 (the "Companies Acts") and the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2003, as amended. They are also responsible for safeguarding the assets of the Company. In this regard they have entrusted the assets of the Company to a Custodian, PNC International Bank Limited, for safekeeping. They have general responsibility for taking such steps as are reasonably open to them to prevent and detect fraud and other irregularities.

The Directors are also responsible for preparing a Directors' Report that complies with the requirements of the Companies Acts.

Keeping of Proper Books of Account

The Directors believe that they have complied with the requirements of Section 202 of the Companies Act 1990 with regard to books of account by engaging the services of an Administrator employing personnel with appropriate expertise and adequate resources to provide the Company's finance function. The books of account of the Company are maintained at the offices of the Administrator at Riverside Two, Sir John Rogerson's Quay, Grand Canal Dock, Dublin 2, Ireland.

Principle Activities and Review of the Business

The Company manages the Funds to achieve the stated objectives of maintaining capital value while seeking to produce a money market return to the investors on the Western Asset USD Liquidity Fund, Western Asset Sterling Liquidity Fund[^], Western Asset Euro Liquidity Fund[^] and Western Asset Euro Government Liquidity Fund[^]. The Company sought to achieve enhanced returns over the medium term through investment in high quality single currency short-term debt and bond securities on the Euro Liquidity Plus Fund[^]. However, the Euro Liquidity Plus Fund[^] ceased trading on 15 October 2008 and held no investments at year end. The business review is included in the Investment Manager's Reports on pages 4 to 6.

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

Directors' Report - (continued)

Significant Events

Effective 11 October 2007, USD Liquidity Plus Fund[^] ceased trading and its authorisation by the Financial Regulator was subsequently revoked on 3 April 2009. Effective 25 April 2008, Sterling Liquidity Plus Fund[^] ceased trading and its authorisation by the Financial Regulator was subsequently revoked on 3 April 2009. Effective 15 October 2008, Euro Liquidity Plus Fund[^] ceased trading. Effective 5 May 2009, Western Asset Euro Government Liquidity Fund[^] commenced trading.

Further significant events are disclosed in note 19 to the financial statements.

Results for the year

The Balance Sheet as at 31 August 2009 is on page 17. The results for the year ended 31 August 2009 are set out in the Profit and Loss Account on page 19.

Class WA was approved by the Irish Financial Services Regulatory Authority (the "Financial Regulator") on 4 May 2007. As at 31 August 2009 Western Asset USD Liquidity Fund, Western Asset Sterling Liquidity Fund[^] and Western Asset Euro Liquidity Fund[^] had issued shares of this class.

Class P was approved by the Financial Regulator on 28 July 2005. As at 31 August 2009 Western Asset USD Liquidity Fund, Western Asset Sterling Liquidity Fund[^] and Western Asset Euro Liquidity Fund[^] had issued shares in this class.

Class D and Class S will declare a dividend of all or substantially all of the net income and realised gains attributable and will continue to be declared daily and distributed monthly as set out in the Prospectus.

Class C and Class P shares carry no right to any dividend. The net investment income and realised gains attributable to Class C and Class P shares shall be retained by such classes within the relevant Fund.

Total dividend distributions to holders of Redeemable Participating Shares for the year ended 31 August 2009 amounted to \$116,714,437 (2008: \$578,951,576).

Future Developments

The Company will continue its policy of investing in high quality US Dollar, Euro and Sterling money market securities in the Western Asset USD Liquidity Fund, Western Asset Sterling Liquidity Fund[^], Western Asset Euro Liquidity Fund[^] and the Western Asset Euro Government Liquidity Fund[^] in order to manage the Funds to achieve or to seek to attain their investment objective of maintaining capital value while seeking to produce a money market return to the investor.

Directors and their Interests

Frank Ennis resigned as director effective 25 August 2009. Joseph Keane was appointed as director with and effective date of 11 September 2009.

None of the Directors had a beneficial interest in the shares of the Company at 31 August 2009 or at 31 August 2008. In accordance with the articles of association the Directors are not required to retire by rotation.

Fair Value Directive

It is the opinion of the Board of Directors that the information required by the European Communities (Fair Value Accounting) Regulations 2004 in relation to the use by the Company of financial instruments and the financial risk management objectives and policies of the Company and the exposures of the Company to market risk, currency risk, interest rate risk, liquidity risk and credit risks are outlined in notes 15 and 16 to these financial statements.

Subsequent Events

Details of changes subsequent to the balance sheet date are disclosed in note 20 to the financial statements.

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

Directors' Report - (continued)

Auditors

The independent auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office in accordance with section 160(2) of the Companies Act 1963.

On behalf of the Board

John Alldis

Director

10 November 2009

Brian Collins

Director

Custodian's Report for the year ended 31 August 2009

To the shareholders of
Western Asset Liquidity Funds plc (the "Company")

Report of the Custodian to the Shareholders

We have enquired into the conduct of the Western Asset Liquidity Funds plc (formerly Citi Institutional Liquidity Fund plc) (the "Company") for the year ended 31 August 2009, in our capacity as Custodian to the Company.

This report including the opinion has been prepared for and solely for the shareholders in the Company as a body, in accordance with the Financial Regulator's UCITS Notice 4, and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown.

Responsibilities of the Custodian

Our duties and responsibilities are outlined in the Financial Regulator's UCITS 4. One of those duties is to enquire into the conduct of the Company in each annual accounting period and report thereon to the shareholders.

Our report shall state whether, in our opinion, the Company has been managed in that period, in accordance with the provisions of the Company's Memorandum and Articles of Association and the UCITS Regulations. It is the overall responsibility of the Company to comply with these provisions. If the Company has not so complied, we as Custodian must state why this is the case and outline the steps which we have taken to rectify the situation.

Basis of Custodian Opinion

The Custodian conducts such reviews as it, in its reasonable opinion, considers necessary in order to comply with its duties as outlined in UCITS Notice 4 and to ensure that, in all material respects, the Company has been managed (i) in accordance with the limitations imposed on its investment and borrowing powers by the provisions of its constitutional documentation and the appropriate regulations and (ii) otherwise in accordance with the Company's constitutional documentation and the appropriate regulations.

Opinion

In our opinion, the Company has been managed during the year, in all material respects:

- (i) in accordance with the limitations imposed on the investment and borrowing powers of the Company by the Memorandum and Articles of Association and by the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2003, as amended, ("the Regulations"); and
- (ii) otherwise in accordance with the provisions of the Memorandum and Articles of Association and the Regulations.

Paul Halley

For and on behalf of
PNC International Bank Limited

10 November 2009

Independent Auditors' Report to the Shareholders of Western Asset Liquidity Funds plc (the "Company")

We have audited Western Asset Liquidity Funds plc (formerly Citi Institutional Liquidity Fund plc) financial statements for the year ended 31 August 2009 which comprise the Balance Sheet, the Profit and Loss Account, the Statement of Changes in Net Assets Attributable to Redeemable Participating Shareholders, the Portfolio of Investments and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable Irish law and the accounting standards issued by the Accounting Standards Board and published by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 193 of the Companies Act 1990 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with Generally Accepted Accounting Practice in Ireland, and are properly prepared in accordance with Irish statute comprising the Companies Acts 1963 to 2009 (the "Companies Acts") and the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2003, as amended. We state whether we have obtained all the information and explanations we consider necessary for the purposes of our audit, and whether the financial statements are in agreement with the books of account. We also report to you our opinion as to:

- whether the Company has kept proper books of account; and
- whether the Directors' report is consistent with the financial statements.

We also report to you if, in our opinion, any information specified by law regarding Directors' remuneration and Directors' transactions is not disclosed and where practicable, include such information in our report.

We read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the Company's affairs at 31 August 2009 and of its results for the year then ended; and
- have been properly prepared in accordance with the requirements of the Companies Acts 1963 to 2009 (the "Companies Acts") and the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2003, as amended.

We have obtained all the information and explanations we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the Company. The Company's financial statements are in agreement with the books of account. In our opinion the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers

Chartered Accountants and Registered Auditors
Dublin

Date: 15 December 2009

Portfolio of Investments as at 31 August 2009

WESTERN ASSET USD LIQUIDITY FUND

Nominal	Issuer*	Coupon Rate/Yield %	Due On	Valuation \$	% of Net Assets
CERTIFICATES OF DEPOSIT					
25,000,000	Banco Bilbao Vizcaya NY	0.700%	2-Dec-09	\$25,000,000	0.61%
25,000,000	Bank of Nova Scotia	0.400	11-Jan-10	24,999,998	0.62
25,000,000	Bank of Nova Scotia	0.400	5-Feb-10	25,000,000	0.61
50,000,000	Bank of Nova Scotia	1.150	7-May-10	50,000,000	1.23
100,000,000	Barclays Bank NY	0.710	5-Feb-10	100,000,000	2.46
20,000,000	BNP Paribas NY	0.800	9-Nov-09	20,000,000	0.49
50,000,000	BNP Paribas NY	0.460	19-Jan-10	50,000,000	1.23
35,000,000	Canadian Imperial Bank	0.300	16-Sep-09	35,000,000	0.86
50,000,000	Credit Agricole SA	0.850	12-Mar-10	50,000,000	1.23
40,000,000	Credit Suisse NY	1.925	23-Apr-10	40,000,000	0.98
25,000,000	*** Credit Suisse NY	0.491	29-Jul-10	25,000,000	0.61
43,188,000	*** Deutsche Bank NY	0.640	1-Oct-09	43,190,834	1.06
25,000,000	Deutsche Bank NY	0.300	5-Nov-09	25,000,000	0.61
50,000,000	Deutsche Bank NY	0.500	4-Jan-10	50,000,000	1.23
25,000,000	HSBC Bank PLC	0.400	13-Jan-10	25,000,000	0.61
50,000,000	ING Bank	0.710	6-Nov-09	50,000,915	1.23
40,000,000	ING Bank	0.730	12-Nov-09	40,000,797	0.98
25,000,000	*** Intesa Sanpaolo SpA	0.599	20-Aug-10	25,000,000	0.61
50,000,000	Nordea Bank Finland NY	1.370	28-Apr-10	50,095,061	1.23
50,000,000	Rabobank Nederland N.V. NY	1.010	4-Sep-09	50,000,083	1.23
20,000,000	Rabobank Nederland N.V. NY	0.960	14-Oct-09	20,006,182	0.49
50,000,000	*** Rabobank Nederland N.V. NY	0.646	4-Jun-10	50,021,481	1.23
75,000,000	*** Royal Bank of Canada NY	0.897	1-Oct-09	75,003,836	1.85
50,000,000	*** Societe Generale NY	0.372	5-May-11	50,000,000	1.23
25,000,000	Svenska Handelsbanken NY	0.855	4-Nov-09	25,000,442	0.62
25,000,000	*** Svenska Handelsbanken NY	0.513	23-Jul-10	25,001,113	0.62
25,000,000	UBS AG Stamford	0.680	29-Sep-09	25,000,000	0.61
25,000,000	UBS AG Stamford	0.760	23-Nov-09	25,000,287	0.62
35,000,000	UBS AG Stamford	1.350	4-Dec-09	35,000,000	0.86
				1,133,321,029	27.85
COMMERCIAL PAPER					
25,000,000	** ANZ National	0.451	5-Feb-10	24,950,937	0.61
120,000,000	** Automatic Data Processing	0.180	1-Sep-09	120,000,000	2.95
45,000,000	** Bank of America Corp.	0.200	1-Sep-09	45,000,000	1.11
50,000,000	** BNZ International	0.300	27-Oct-09	49,976,667	1.23
50,000,000	** BNZ International	0.400	4-Feb-10	49,913,333	1.23
50,000,000	** Caisse D'amortissement	0.500	22-Dec-09	49,922,222	1.23
75,000,000	** Commerzbank U.S. Finance	0.400	10-Sep-09	74,992,500	1.84
25,000,000	** Commerzbank U.S. Finance	0.440	12-Nov-09	24,978,000	0.61
50,000,000	** Danske Corp.	1.310	20-Oct-09	49,911,528	1.23
75,000,000	** HSBC USA, Inc.	0.200	11-Sep-09	74,995,833	1.84
25,000,000	** JPMorgan Chase Funding	0.280	13-Nov-09	24,985,806	0.61
25,000,000	** Rabobank USA Financial Corp.	0.800	30-Oct-09	24,967,222	0.61
50,000,000	** Santander Cent Hisp Fin	0.602	30-Nov-09	49,925,000	1.23
25,000,000	** Societe Generale North America	0.800	12-Nov-09	24,960,000	0.61
55,000,000	** State Street Bank	0.210	3-Sep-09	54,999,358	1.35
75,000,000	** Swedish Export Credit	0.541	17-Dec-09	74,879,625	1.84
54,260,000	** Total Capital S.A.	0.160	1-Sep-09	54,260,000	1.33
25,000,000	** UBS Finance Delaware	0.550	22-Oct-09	24,980,521	0.61
120,000,000	** Wells Fargo & Co.	0.150	1-Sep-09	120,000,000	2.95
50,000,000	** Westpac Banking Corp.	0.401	5-Feb-10	49,912,778	1.23
				1,068,511,330	26.25
FDIC BACKED BONDS AND NOTES					
75,000,000	*** Bank of America N.A.	0.422	5-Feb-10	75,000,000	1.84
				75,000,000	1.84
MEDIUM TERM NOTES/CORPORATE NOTES/SUPERNATIONALS					
50,000,000	*** Inter-American Development Bank	0.401	19-Feb-10	50,000,000	1.23
50,000,000	*** International Bank for Reconstruction & Development	0.441	1-Feb-10	50,000,000	1.23
75,000,000	*** International Bank for Reconstruction & Development	0.421	8-Feb-10	75,000,000	1.84
50,000,000	** Kingdom of Sweden	0.826	17-Mar-10	49,775,639	1.22
50,000,000	*** Kreditanstalt fuer Wiederaufbau	0.554	21-Jan-10	50,000,000	1.23
				274,775,639	6.75
U.S. GOVERNMENT AGENCY					
50,000,000	*** Federal Farm Credit Bank Agency Bond	0.950	6-Jan-10	50,000,000	1.23
75,000,000	*** Federal Farm Credit Bank Agency Bond	0.370	5-Mar-10	75,000,000	1.84
25,000,000	*** Federal Farm Credit Bank Agency Bond	0.950	16-Mar-10	24,993,217	0.61
50,000,000	*** Federal Farm Credit Bank Agency Bond	0.620	15-Jul-10	49,995,617	1.23
30,000,000	*** Federal Farm Credit Bank Agency Bond	0.518	23-Dec-10	30,000,000	0.74
125,000,000	*** Federal National Mortgage Association Agency Bond	0.380	3-Sep-09	125,000,000	3.07
75,000,000	*** Federal National Mortgage Association Agency Bond	0.400	13-Jul-10	74,993,521	1.84
30,000,000	*** Federal National Mortgage Association Agency Bond	0.422	5-Aug-10	29,986,513	0.74
50,000,000	*** Federal National Mortgage Association Agency Bond	0.334	13-May-11	49,991,521	1.23
50,000,000	*** Freddie Mac Agency Note	1.010	5-Feb-10	49,781,944	1.22
75,000,000	*** Freddie Mac Agency Note	0.410	12-Jul-10	75,000,000	1.84

See Notes to Financial Statements.

Portfolio of Investments as at 31 August 2009 - (continued)

WESTERN ASSET USD LIQUIDITY FUND - (continued)

Nominal	Issuer*	Coupon Rate/Yield %	Due On	Valuation \$	% of Net Assets
U.S. GOVERNMENT AGENCY – (continued)					
50,000,000	*** Freddie Mac Agency Note	0.405%	14-Jul-10	\$49,996,603	1.23%
63,250,000	*** Freddie Mac Agency Note	0.387	24-Aug-10	63,331,925	1.56
90,000,000	*** Freddie Mac Agency Note	0.630	3-Sep-10	89,972,806	2.21
50,000,000	*** Freddie Mac Agency Note	0.580	24-Sep-10	49,984,098	1.23
40,000,000	*** Freddie Mac Agency Note	0.389	4-May-11	40,035,413	0.98
100,000,000	*** Freddie Mac Agency Note	0.352	5-May-11	99,947,818	2.46
				1,028,010,996	25.26
TOTAL TRANSFERABLE SECURITIES				3,579,618,994	87.95
TIME DEPOSITS†					
20,000,000	Barclays Bank PLC Grand Cayman	0.180	1-Sep-09	20,000,000	0.49
70,000,000	Calyon Grand Cayman	0.190	1-Sep-09	70,000,000	1.72
150,000,000	Citibank N.A.	0.200	1-Sep-09	150,000,000	3.68
63,924,000	National Bank of Canada	0.180	1-Sep-09	63,924,000	1.57
70,000,000	Nordea	0.180	1-Sep-09	70,000,000	1.72
50,000,000	Royal Bank of Canada	0.150	1-Sep-09	50,000,000	1.23
45,000,000	Societe Generale Grand Cayman	0.180	1-Sep-09	45,000,000	1.11
				468,924,000	11.52
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS				4,048,542,994	99.47
Other Assets in Excess of Liabilities				21,775,532	0.53
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE PARTICIPATING SHARES				4,070,318,526	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 31 August 2009.
 *** Reflects variable rate security as at 31 August 2009.
 † Deposits with credit institutions.

ANALYSIS OF TOTAL ASSETS

Transferable securities dealt in on a Regulated Market	86.27%
Deposits with credit institutions	11.30
Other assets	2.43
TOTAL ASSETS	100.00%

Portfolio of Investments as at 31 August 2009 - (continued)

WESTERN ASSET STERLING LIQUIDITY FUND[^]

Nominal	Issuer*	Coupon Rate/Yield %	Due On	Valuation £	% of Net Assets
CERTIFICATES OF DEPOSIT					
7,000,000	** ING Bank N.V.	0.935%	7-Oct-09	£6,993,457	1.12%
7,000,000	** NG Bank N.V.	0.900	22-Oct-09	6,991,217	1.12
10,000,000	** Societe Generale	0.630	29-Sep-09	10,000,000	1.60
				23,984,674	3.84
COMMERCIAL PAPER					
9,000,000	** Banco Bilbao	0.493	13-Nov-09	8,991,011	1.44
7,000,000	** Banque Federative du Credit Mutuel	0.433	23-Nov-09	6,993,004	1.12
6,000,000	** Barclays Bank PLC	0.444	14-Sep-09	5,999,039	0.96
7,000,000	** Barclays Bank PLC	1.082	29-Sep-09	6,994,110	1.12
10,000,000	** BNP Paribas	0.375	21-Oct-09	9,994,798	1.61
7,000,000	** Calyon Australia Ltd.	0.532	9-Oct-09	6,996,070	1.12
7,000,000	** Pohjola Bank PLC	0.783	25-Sep-09	6,996,348	1.12
7,000,000	** Societe Generale	0.414	21-Oct-09	6,995,975	1.12
				59,960,355	9.61
CORPORATE MEDIUM TERM NOTE					
3,017,000	Rabobank Nederland N.V.	4.750	30-Sep-09	3,025,871	0.49
				3,025,871	0.49
VARIABLE RATE NOTES					
4,915,398	*** Arran Residential Mortgages Funding PLC	1.292	16-Sep-06	4,914,400	0.79
205,807	*** Arran Residential Mortgages Funding PLC	0.595	20-Sep-06	205,556	0.03
10,000,000	*** Bank of Novia Scotia S.A.	1.155	28-Jan-10	9,998,084	1.60
12,000,000	*** Danske Bank A/S	0.913	29-Jan-10	12,001,075	1.93
10,236,660	*** Driver UK	1.245	20-Mar-17	10,236,660	1.64
8,000,000	*** European Investment Bank	1.016	6-Aug-10	8,000,000	1.28
20,000,000	*** GE Capital UK Funding	1.276	1-Feb-10	20,000,000	3.21
10,000,000	*** KfW	0.978	16-Feb-11	10,000,000	1.60
20,000,000	*** Lloyds TSB Bank PLC	1.098	18-Jan-10	20,000,000	3.21
20,000,000	*** Royal Bank of Scotland PLC	1.552	15-Sep-09	20,000,000	3.21
8,000,000	*** Santander International Debt S.A.	1.360	21-May-10	8,000,000	1.28
4,500,000	*** Societe Financement de l'Economie Francaise	1.019	16-Jul-12	4,500,000	0.72
15,000,000	*** Westpac Securities NZ Ltd.	1.198	29-Jan-10	15,000,000	2.40
				142,855,775	22.90
TOTAL TRANSFERABLE SECURITIES				229,826,675	36.84
TIME DEPOSITS†					
33,100,273	Barclays Capital London	0.300	1-Sep-09	33,100,273	5.31
31,014,057	Calyon London	0.300	1-Sep-09	31,014,057	4.97
31,905,094	Danske Bank A/S	0.350	1-Sep-09	31,905,093	5.12
31,886,678	Dexia AG London	0.420	1-Sep-09	31,886,678	5.11
32,024,384	Dresdner Bank AG	0.350	1-Sep-09	32,024,384	5.13
28,219,236	HSBC Bank PLC	0.300	1-Sep-09	28,219,236	4.52
28,956,134	ING Bank N.V.	0.350	1-Sep-09	28,956,134	4.64
30,900,161	Rabobank London	0.250	1-Sep-09	30,900,161	4.95
27,313,833	Royal Bank Of Scotland PLC	0.250	1-Sep-09	27,313,833	4.38
28,229,210	UBS London	0.300	1-Sep-09	28,229,210	4.53
				303,549,059	48.66
REPURCHASE AGREEMENTS#					
90,000,000	UBS Warburg Repurchase Agreement dated 27 August 2009 at 0.380% to be repurchased at £90,003,748 on 1 September 2009 (collateralised by Treasury Bill, 3.250% due 7-Dec-11, market value £91,800,000)		1-Sep-09	90,000,000	14.42
95,000,000	UBS Warburg Repurchase Agreement dated 28 August 2009 at 0.380% to be repurchased at £95,000,989 on 2 September 2009 (collateralised by Treasury Bill, 4.500% due 7-Mar-13, market value £96,900,000)		2-Sep-09	95,000,000	15.23
				185,000,000	29.65
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS				718,375,734	115.15
Liabilities in Excess of Other Assets				(94,526,977)	(15.15)
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE PARTICIPATING SHARES				623,848,757	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 31 August 2009.					
*** Reflects variable rate security as at 31 August 2009.					
† Deposits with credit institutions.					
# Money market instruments.					
ANALYSIS OF TOTAL ASSETS					% of Total Assets
Transferable securities dealt in on a Regulated Market					31.96%
Deposits with credit institutions					42.22
Money market instruments					25.73
Other assets					0.09
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 31 August 2009 - (continued)

WESTERN ASSET EURO LIQUIDITY FUND[^]

Nominal	Issuer*	Coupon Rate/Yield %	Due On	Valuation €	% of Net Assets
COMMERCIAL PAPER					
10,000,000	** Banco Bilbao	0.400%	14-Oct-09	€9,995,225	1.10%
10,000,000	** Banque Federative du Credit Mutuel	0.420	16-Nov-09	9,991,143	1.10
15,000,000	** Calyon Australia Ltd.	0.360	19-Oct-09	14,992,804	1.66
15,000,000	** Rabobank USA Financial Corp.	0.390	18-Nov-09	14,987,338	1.66
15,000,000	** Societe Generale	0.410	18-Nov-09	14,986,689	1.65
				64,953,199	7.17
VARIABLE RATE NOTES					
12,516,061	*** Arran Residential Mortgages Funding PLC [^]	1.308	16-Sep-36	12,512,088	1.38
15,918,042	*** Auto ABS Compartment [^]	1.769	18-May-18	15,879,997	1.75
60,000,000	*** BPCE S.A. [^]	1.295	28-Sep-09	60,000,000	6.62
30,000,000	*** Caixa Geral de Depositos S.A. [^]	1.504	21-May-10	29,994,666	3.32
17,639,743	*** Driver One GmbH [^]	1.085	21-Feb-14	17,595,324	1.94
30,000,000	*** European Investment Bank [^]	1.360	6-Sep-10	30,000,000	3.31
11,618,656	*** Fondo De Titulizacion De Activos Santander Auto [^]	0.908	25-Nov-21	11,588,095	1.28
68,000,000	*** GE Capital Euro Funding [^]	1.287	18-Sep-09	67,998,287	7.50
19,000,000	*** GE Capital Euro Funding [^]	1.319	1-Mar-10	18,986,515	2.09
16,067,991	*** Globaldrive B.V. [^]	1.508	20-Feb-16	16,003,507	1.77
27,700,000	*** ING Bank N.V. [^]	1.404	21-May-10	27,690,556	3.06
36,000,000	*** KBC IFIMA N.V. [^]	1.177	25-Jan-10	35,973,902	3.97
10,482,878	*** Noria Corp. [^]	1.286	31-Dec-20	10,419,327	1.15
11,000,000	*** Societe Financement de l'Economie Francaise [^]	1.035	16-Jul-12	11,000,000	1.21
12,000,000	*** Spanish Government Bond [^]	0.814	29-Oct-12	11,981,116	1.32
38,700,000	*** Svenska Handelsbanken [^]	1.304	21-May-10	38,692,159	4.27
50,000,000	*** Toronto-Dominion Bank [^]	2.081	10-Sep-10	49,996,290	5.52
				466,311,829	51.46
TOTAL TRANSFERABLE SECURITIES				531,265,028	58.63
TIME DEPOSITS[†]					
51,904,934	Danske Bank A/S	0.250	1-Sep-09	51,904,934	5.73
50,000,000	Dresdner Bank AG	0.120	1-Sep-09	50,000,000	5.52
51,827,667	ING Bank N.V.	0.200	1-Sep-09	51,827,667	5.72
50,613,110	Rabobank London	0.160	1-Sep-09	50,613,110	5.58
50,000,000	Royal Bank of Scotland	0.200	1-Sep-09	50,000,000	5.52
14,500,343	UBS London	0.100	1-Sep-09	14,500,343	1.60
				268,846,054	29.67
CAPITAL SUPPORT AGREEMENT (NOTES 3 AND 19)[±]				218,901	0.03
REPURCHASE AGREEMENTS[#]					
105,000,000	UBS Warburg Repurchase Agreement dated 28 August 2009 at 0.200% to be repurchased at €105,000,583 on 1 September 2009 (collateralised by Bundesrepublik Deutschland, 4.750% due 4-July-34, market value €107,100,000)		1-Sep-09	105,000,000	11.59
				105,000,000	11.59
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS				905,329,983	99.92
Other Assets in Excess of Liabilities				769,297	0.08
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE PARTICIPATING SHARES				906,099,280	100.00%

* All securities, except deposits with credit institutions, repurchase agreements and capital support agreements, are transferable securities dealt in on a Regulated Market.

** Rate reflects yield to maturity as at 31 August 2009.

*** Reflects variable rate security as at 31 August 2009.

[†] Deposits with credit institutions.

[±] Financial derivative instruments.

[#] Money market instruments.

[^] Security fair value supported by capital support agreement as disclosed in note 19.

ANALYSIS OF TOTAL ASSETS

Transferable securities dealt in on a Regulated Market

Deposits with credit institutions

Money market instruments

Financial derivative instruments

Other assets

TOTAL ASSETS

**% of
Total Assets**

58.60%

29.66

11.58

0.02

0.14

100.00%

Portfolio of Investments as at 31 August 2009 - (continued)

WESTERN ASSET EURO GOVERNMENT LIQUIDITY FUND[^]

Nominal	Issuer*	Coupon Rate/Yield %	Due On	Valuation €	% of Net Assets
TREASURY BILL/CERTIFICATE					
14,000,000	** Dutch Treasury Certificate	0.420%	16-Oct-09	€13,992,571	20.81%
4,750,000	** Dutch Treasury Certificate	0.810	30-Oct-09	4,743,714	7.05
2,000,000	** Dutch Treasury Certificate	0.370	13-Nov-09	1,998,517	2.97
5,000,000	** French Treasury Bill	0.320	10-Sep-09	4,999,600	7.43
5,000,000	** French Treasury Bill	0.280	24-Sep-09	4,999,106	7.43
4,000,000	** French Treasury Bill	0.330	8-Oct-09	3,998,644	5.95
8,000,000	** French Treasury Bill	0.395	15-Oct-09	7,996,165	11.89
6,000,000	** German Treasury Bill	0.250	30-Sep-09	5,998,792	8.92
5,000,000	** German Treasury Bill	0.386	9-Dec-09	4,994,727	7.43
4,000,000	** German Treasury Bill	0.600	28-Apr-10	3,984,013	5.92
				57,705,849	85.80
TOTAL TRANSFERABLE SECURITIES					
				57,705,849	85.80
TIME DEPOSITS†					
9,500,000	Danske Bank A/S	0.270	1-Sep-09	9,500,000	14.13
				9,500,000	14.13
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS					
	Other Assets in Excess of Liabilities			49,975	0.07
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE PARTICIPATING SHARES					
				67,255,824	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 31 August 2009.

† Deposits with credit institutions.

ANALYSIS OF TOTAL ASSETS

Transferable securities dealt in on a Regulated Market

Deposits with credit institutions

Other assets

TOTAL ASSETS

	% of Total Assets
Transferable securities dealt in on a Regulated Market	85.77%
Deposits with credit institutions	14.12
Other assets	0.11
TOTAL ASSETS	100.00%

WESTERN ASSET LIQUIDITY FUNDS PLC

Balance Sheet as at 31 August 2009

Notes	Western Asset USD 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						
	648	288,833	259,133	29,835	65,561	979,345
Cash						
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	3,16	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	22,935	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	234,969,850
Total Net Assets Attributable to Holders of Redeemable Participating Shares	4,070,318,526	623,848,757	906,099,280	-	67,255,824	6,481,810,308
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.

† Effective 5 May 2009, the Western Asset Euro Government Liquidity Fund[^] commenced trading.

On behalf of the Board

John Alldis

Brian Collins

Director

Director

10 November 2009

[^] 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 2008

Notes	Western Asset USD 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 \$*
Current Assets							
Cash	331	202,139	154,343	11,223	16,696	213,211	953,701
Financial Assets at Fair Value through Profit or Loss	3,5						
- Transferable Securities	4,719,016,106	691,931,407	2,905,120,326	-	-	27,689,528	10,307,022,672
- Deposits with Credit Institutions	103,951,000	194,150,632	432,380,426	-	-	2,208,287	1,099,690,785
- Financial Derivative Instruments	3,19	77,446,860	-	-	-	-	77,446,860
Receivable for Redeemable Participating Shares Sold	1,000,000	-	-	-	-	-	1,000,000
Receivable for Investments Sold	-	-	-	-	-	1,007,254	1,484,189
Interest Receivable	30,387,437	2,563,867	9,388,219	-	-	209,063	49,221,934
Receivable from Investment Manager	8,9	-	720	-	-	-	1,319
Prepayments	138,273	16,452	60,972	10,561	5,499	-	278,857
Other Assets	-	2,308	13,675	1,816	825	1,434	29,813
Total Current Assets	4,931,940,007	888,867,525	3,347,117,961	23,600	23,020	31,328,777	11,537,130,130
Current Liabilities							
Financial Liabilities at Fair Value through Profit and Loss Account	3,5						
- Financial Derivative Instruments	-	-	-	-	-	47,660	70,227
Dividend Distributions Payable to Holders of Redeemable Participating Shares	6	1,610,280	1,842,573	3,134,259	-	-	9,601,257
Payable for Redeemable Participating Shares Purchased	16,000	-	-	-	-	-	16,000
Payable for Investments Purchased	-	39,465,689	138,359,090	-	-	499,305	276,845,843
Investment Managers' Fee Payable	8,9	232,993	14,036	43,355	-	460	323,246
Administration, Transfer Agent Services and Custodian Fees Payable	8	107,129	18,204	72,217	-	752	247,969
Distribution Fee Payable	8,9	258,140	48,907	194,885	-	1,500	637,033
Accrued Expenses	403,559	93,015	203,172	23,600	23,020	23,073	972,921
Total Liabilities (Excluding Net Assets Attributable to Holders of Redeemable Participating Shares)	2,628,101	41,482,424	142,006,978	23,600	23,020	572,750	288,714,496
Total Net Assets Attributable to Holders of Redeemable Participating Shares	4,929,311,906	847,385,101	3,205,110,983	-	-	30,756,027	11,248,415,634
Number of Redeemable Participating Shares in issue							
Class D	7	4,455,441,871	735,488,859	2,685,806,783	-	-	-
Class S	7	338,863,498	92,183,603	390,134,541	-	-	-
Class C	7	432,989	88,139	937,860	-	-	250,828
Class P	7	374,653	1,445	5,529	-	-	-
Class WA	7	41,816,962	10,351,015	13,871,666	-	-	-
Net Asset Value per Share							
Class D	14	\$1.00	£1.00	€1.00	-	-	-
Class S	14	\$1.00	£1.00	€1.00	-	-	-
Class C	14	\$130.4912	£106.5194	€122.3044	-	-	€122.6117
Class P	14	\$110.7412	£113.5800	€106.6773	-	-	-
Class WA	14	\$1.00	£1.00	€1.00	-	-	-

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

Effective 11 October 2007, the USD Liquidity Plus Fund[^] ceased trading and its authorisation by the Financial Regulator was subsequently revoked on 3 April 2009.

** Effective 25 April 2008, the Sterling Liquidity Plus Fund[^] ceased trading and its authorisation by the Financial Regulator was subsequently revoked on 3 April 2009.

*** Effective 15 October 2008, the Euro Liquidity Plus Fund[^] ceased trading.

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

Profit and Loss Account for the year ended 31 August 2009

Notes	Western Asset USD Liquidity Fund \$	Western Asset Sterling Liquidity Fund [^] £	Western Asset Euro Liquidity Fund [^] €	Euro Liquidity Plus Fund ^{***^} €	Western Asset Euro Government Liquidity Fund ^{†^} €	Total \$*
Income						
Investment Income	57,081,177	15,243,950	38,257,525	142,264	148,925	132,883,125
Net Gain/(Loss) on Financial Assets at Fair Value through Profit or Loss						
Realised Gain/(Loss) on Investments	5 1,916,678	(18,922)	59,641	(1,684,121)	2,860	(303,577)
Change in Net Unrealised Appreciation of Investments	5 -	-	-	335,153	-	452,792
Total Net Gain/(Loss) on Financial Assets at Fair Value through Profit or Loss						
	1,916,678	(18,922)	59,641	(1,348,968)	2,860	149,215
Net Investment Income/(Loss)	58,997,855	15,225,028	38,317,166	(1,206,704)	151,785	133,032,340
Expenditure						
Distribution Fees	8,9 (2,517,075)	(520,697)	(863,729)	(1,513)	(9,691)	(4,509,418)
Investment Manager Fees	8,9 (6,935,938)	(675,582)	(1,892,671)	(5,026)	(38,765)	(10,603,439)
Administration, Transfer Agent Services and Custodian Fees	8 (951,022)	(134,122)	(299,412)	(2,575)	(4,846)	(1,574,274)
Audit Fees	8 (39,304)	(21,841)	(24,915)	(12,100)	(14,020)	(142,241)
Legal Fees	(127,122)	(20,053)	(31,828)	(7,865)	(2,425)	(215,230)
Other Expenses	(781,143)	(130,238)	(286,696)	(5,583)	(19,659)	(1,405,248)
Total Operating Expenses before Finance Costs						
	(11,351,604)	(1,502,533)	(3,399,251)	(34,662)	(89,406)	(18,449,850)
Less: Expenses reimbursed and fees waived by Investment Manager	8,9 4,388,968	818,253	1,498,688	6,054	50,641	7,763,656
Net Expenses before Finance Costs	(6,962,636)	(684,280)	(1,900,563)	(28,608)	(38,765)	(10,686,194)
Net Income/(Loss) from Operations before Finance Costs	52,035,219	14,540,748	36,416,603	(1,235,312)	113,020	122,346,146
Finance Costs						
Dividend Distribution to Holders of Redeemable Participating Shares	6 (46,705,283)	(14,181,290)	(35,371,977)	-	(113,020)	(116,714,437)
Total Finance Costs	(46,705,283)	(14,181,290)	(35,371,977)	-	(113,020)	(116,714,437)
Increase/(Decrease) in Net Assets Attributable to Holders of Redeemable Participating Shares	5,329,936	359,458	1,044,626	(1,235,312)	-	5,631,709

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

*** Effective 15 October 2008, the Euro Liquidity Plus Fund[^] ceased trading.

† Effective 5 May 2009, the Western Asset Euro Government Liquidity Fund[^] commenced trading.

On behalf of the Board

John Alldis

Director

10 November 2009

Brian Collins

Director

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

Profit and Loss Account for the year ended 31 August 2008

Notes	Western Asset USD 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 \$*
Income							
Investment Income	243,016,395	55,042,752	167,549,130	1,633	3,098,734	1,931,927	612,876,227
Net (Loss)/Gain on Financial Assets at Fair Value through Profit or Loss							
Realised (Loss)/Gain on Investments	5 (3,869,768)	7,345	(748)	114	(681,015)	(209,622)	(5,524,710)
Change in Net Unrealised (Depreciation)/Appreciation of Investments	5 -	-	-	(10)	276,822	(231,494)	203,108
Total Net (Loss)/Gain on Financial Assets at Fair Value through Profit or Loss	(3,869,768)	7,345	(748)	104	(404,193)	(441,116)	(5,321,602)
Net Investment Income	239,146,627	55,050,097	167,548,382	1,737	2,694,541	1,490,811	607,554,625
Expenditure							
Distribution Fees	8,9 (3,567,616)	(619,327)	(2,273,754)	-	(27,202)	(18,378)	(8,291,768)
Investment Manager Fees	8,9 (5,806,105)	(1,171,681)	(4,502,116)	-	(88,578)	(69,374)	(15,170,026)
Administration, Transfer Agent Services and Custodian Fees	8 (1,492,683)	(235,542)	(918,948)	-	(13,107)	(10,216)	(3,381,005)
Audit Fees	8 (50,314)	(21,085)	(27,152)	(17,176)	(11,039)	(20,433)	(202,749)
Legal Fees	(133,867)	(21,091)	(77,486)	(7,766)	(605)	(235)	(301,368)
Other Expenses	(982,059)	(166,252)	(636,105)	(5,704)	(6,385)	(18,107)	(2,312,466)
Total Operating Expenses before Finance Costs	(12,032,644)	(2,234,978)	(8,435,561)	(30,646)	(146,916)	(136,743)	(29,659,382)
Less: Expenses reimbursed and fees waived by Investment Manager	8,9 6,161,863	1,054,831	3,919,331	30,589	57,734	67,368	14,385,413
Net Expenses before Finance Costs	(5,870,781)	(1,180,147)	(4,516,230)	(57)	(89,182)	(69,375)	(15,273,969)
Net Income from Operations before Finance Costs	233,275,846	53,869,950	163,032,152	1,680	2,605,359	1,421,436	592,280,656
Finance Costs							
Dividend Distribution to Holders of Redeemable Participating Shares	6 (236,189,894)	(53,270,667)	(157,874,694)	-	-	-	(578,951,576)
Total Finance Costs	(236,189,894)	(53,270,667)	(157,874,694)	-	-	-	(578,951,576)
(Decrease)/Increase in Net Assets Attributable to Holders of Redeemable Participating Shares	(2,914,048)	599,283	5,157,458	1,680	2,605,359	1,421,436	13,329,080

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 11 October 2007, the USD Liquidity Plus Fund[^] ceased trading and its authorisation by the Financial Regulator was subsequently revoked on 3 April 2009.

** Effective 25 April 2008, the Sterling Liquidity Plus Fund[^] ceased trading and its authorisation by the Financial Regulator was subsequently revoked on 3 April 2009.

*** Effective 15 October 2008, the Euro Liquidity Plus Fund[^] ceased trading.

Statement of Changes in Net Assets Attributable to Holders of Redeemable Participating Shares for the year ended 31 August 2009

Notes	Western Asset USD Liquidity Fund \$	Western Asset Sterling Liquidity Fund [^] £	Western Asset Euro Liquidity Fund [^] €	Euro Liquidity Plus Fund ^{***^} €	Western Asset Euro Government Liquidity Fund ^{†^} €	Total \$*
Net Assets Attributable to Holders of Redeemable Participating Shares						
Beginning of year	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	5,329,936	359,458	1,044,626	(1,235,312)	-	5,631,709
REDEEMABLE PARTICIPATING SHARE TRANSACTIONS						
Proceeds from Redeemable Participating Shares Subscribed	7 21,797,187,002	5,701,807,771	10,228,392,025	-	153,787,105	44,696,664,260
Net Asset Value of Redeemable Participating Shares Issued for Reinvestment of Distributions	7 40,112,187	7,663,179	26,047,807	-	112,404	87,380,071
Cost of Redeemable Participating Shares Redeemed	7 (22,701,622,505)	(5,933,366,752)	(12,554,496,161)	(29,520,715)	(86,643,685)	(49,053,190,262)
(Decrease)/Increase in Net Assets from Redeemable Participating Shares Transactions	(864,323,316)	(223,895,802)	(2,300,056,329)	(29,520,715)	67,255,824	(4,269,145,931)
(Decrease)/Increase in Net Assets Attributable to Holders of Redeemable Participating Shares	(858,993,380)	(223,536,344)	(2,299,011,703)	(30,756,027)	67,255,824	(4,263,514,222)
Currency Translation	4 -	-	-	-	-	(503,091,104)
End of year	14 4,070,318,526	623,848,757	906,099,280	-	67,255,824	6,481,810,308

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

*** Effective 15 October 2008, the Euro Liquidity Plus Fund[^] ceased trading.

† Effective 5 May 2009, the Western Asset Euro Government Liquidity Fund[^] commenced trading.

Statement of Changes in Net Assets Attributable to Holders of Redeemable Participating Shares for the year ended 31 August 2008

Notes	Western Asset USD 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 \$*
Net Assets Attributable to Holders of Redeemable Participating Shares							
Beginning of year	9,779,553,688	978,950,540	3,389,024,049	359,641	126,886,158	42,446,627	16,718,192,773
Net (Decrease)/Increase in Net Assets Attributable to Holders of Redeemable Participating Shares	(2,914,048)	599,283	5,157,458	1,680	2,605,359	1,421,436	13,329,080
REDEEMABLE PARTICIPATING SHARE TRANSACTIONS							
Proceeds from Redeemable Participating Shares Subscribed	7 44,192,979,452	9,186,180,171	28,212,155,729	45	28,009	2,336,907	104,785,299,074
Net Asset Value of Redeemable Participating Shares Issued for Reinvestment of Distributions	7 190,326,707	33,939,161	120,870,548	-	-	-	439,137,937
Cost of Redeemable Participating Shares Redeemed	7 (49,230,633,893)	(9,352,284,054)	(28,522,096,801)	(361,366)	(129,519,526)	(15,448,943)	(110,895,691,442)
Decrease in Net Assets from Redeemable Participating Shares Transactions	(4,847,327,734)	(132,164,722)	(189,070,524)	(361,321)	(129,491,517)	(13,112,036)	(5,671,254,431)
Decrease in Net Assets Attributable to Holders of Redeemable Participating Shares	(4,850,241,782)	(131,565,439)	(183,913,066)	(359,641)	(126,886,158)	(11,690,600)	(5,657,925,351)
Currency Translation	4 -	-	-	-	-	-	188,148,212
End of year	14 4,929,311,906	847,385,101	3,205,110,983	-	-	30,756,027	11,248,415,634

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

Effective 11 October 2007, the USD Liquidity Plus Fund[^] ceased trading and its authorisation by the Financial Regulator was subsequently revoked on 3 April 2009.

** Effective 25 April 2008, the Sterling Liquidity Plus Fund[^] ceased trading and its authorisation by the Financial Regulator was subsequently revoked on 3 April 2009.

*** Effective 15 October 2008, the Euro Liquidity Plus Fund[^] ceased trading.

Notes to Financial Statements

1. Organisation

Western Asset Liquidity Funds plc (formerly Citi Institutional Liquidity Fund 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 USD Liquidity Fund
Sterling Liquidity Fund	Western Asset Sterling Liquidity Fund [^]
Euro Liquidity Fund	Western Asset Euro 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 31 August 2009, four active Funds were in existence - Western Asset USD Liquidity Fund, Western Asset Sterling Liquidity Fund[^], Western Asset Euro Liquidity Fund[^] and Western Asset Euro Government Liquidity Fund[^] (commenced trading on 5 May 2009). USD Liquidity Plus Fund[^] ceased trading effective 11 October 2007. Sterling Liquidity Plus Fund[^] ceased trading effective 25 April 2008. Euro Liquidity Plus Fund[^] ceased trading effective 15 October 2008.

As disclosed in note 19, the Financial Regulator revoked authorisation for the USD Liquidity Plus Fund[^] and Sterling Liquidity Plus Fund[^] on 3 April 2009.

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

Western Asset USD 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 Western Asset 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 USD Liquidity Fund.

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

* In Chile, Western Asset USD 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 USD 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.

(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.

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.

Notes to Financial Statements - (continued)**3. Significant Accounting Policies - (continued)****(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 year are disclosed in the Profit and Loss Account.

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

As at 31 August 2009 Western Asset Euro Liquidity Fund[^] has recognised an asset for amounts receivable under a Capital Support Agreement of €218,901. As at 31 August 2009 the Capital Support Agreement in place had not been utilised by the Western Asset Sterling Liquidity Fund[^].

The recognition of the Capital Support Agreements as a derivative results in an offset against unrealised losses in the Profit and Loss Account. Further disclosures in relation to the Capital Support Agreements in place as at 31 August 2009 are included in note 19.

Letters of Credit

As at 31 August 2008, the Investment Manager had entered into a Letter of Credit with Citibank N.A., which terminated no later than 31 October 2008. The Western Asset USD Liquidity Fund was able to draw upon the Letter of Credit totaling \$137.5 million if (i) a realised loss has been incurred on the Cheyne securities or (ii) there has been a restructuring loss incurred by the Fund. As at 31 August 2008, the Western Asset USD Liquidity Fund carried the irrevocable letter of credit issued by Citibank N.A. as a derivative instrument valued at \$77 million. This amount represented the value of the instrument as a result of realised losses incurred on the restructuring of securities issued by Cheyne Finance LLC as at 31 August 2008.

The recognition of the \$77 million derivative instrument resulted in an offset against realised losses in the Profit and Loss Account. This amount was subsequently received from the Legg Mason Inc, as referred to in note 19, when the Fund disposed of all Cheyne securities for cash on 29 September 2008.

The Letter of Credit in place as at 31 August 2008 for the Axon Financial Funding LLC securities, as referred to in note 19, did not result in the recognition of any assets as the ability to draw on the agreement had not occurred. All Letters of Credit in place as at 31 August 2008 have since been terminated, following the disposal of the above noted securities.

There are no Letters of Credit in place for the Funds as at 31 August 2009.

(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 31 August 2009 and 31 August 2008 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 USD 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 31 August 2009 and 31 August 2008 are translated into the base currency at the exchange rate ruling at the year end.

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

Notes to Financial Statements - (continued)**3. Significant Accounting Policies - (continued)****(j) Non-Base Currency Translation - (continued)**

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.

(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 year 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 31 August 2009.

(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 USD 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 (€)

USD Liquidity Plus Fund[^] - US dollars (\$)

Sterling Liquidity Plus Fund[^] - Sterling pounds (£)

For the year ended 31 August 2009 and 31 August 2008 the following exchange rates were used to translate the Balance Sheet of the non-US denominated Funds in arriving at the total US dollar value for the Company in the financial statements:

	31 August 2009	31 August 2008
€/ \$	1.4335	1.4735
£/ \$	1.6289	1.8304

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

Notes to Financial Statements - (continued)

4. Exchange Rates - (continued)

For the year ended 31 August 2009 and 31 August 2008, the Profit and Loss Account 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 (used as an approximate rate of exchange for the actual rates for the year) of exchange in arriving at the total US dollar value of the Company in the financial statements:

	31 August 2009	31 August 2008
€/\$	1.3510	1.5002
£/\$	1.5562	1.9883

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 year. The adjustment is the effect of translating the prior year closing retained profits and total net assets at the current year closing non-US exchange rate as stated above. The adjustments recorded were \$(503,091,104) (31 August 2008: \$188,148,212) 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 year ended 31 August 2009 and 31 August 2008 were as follows:

For the year ended 31 August 2009

	Western Asset USD Liquidity Fund \$	Western Asset Sterling Liquidity Fund [^] £	Western Asset Euro Liquidity Fund [^] €	Euro Liquidity Plus Fund [^] €	Western Asset Euro Government Liquidity Fund [^] €	Total \$
Net realised gain/(loss) on financial instruments held for trading	1,916,678	(18,922)	59,641	(1,684,121)	2,860	(303,577)
Net unrealised gain of financial instruments held for trading	-	-	-	335,153	-	452,792
	1,916,678	(18,922)	59,641	(1,348,968)	2,860	149,215

For the year ended 31 August 2008

	Western Asset USD 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 \$
Net realised (loss)/gain on financial instruments held for trading	(3,869,768)	7,345	(748)	114	(681,015)	(209,622)	(5,524,710)
Net unrealised (loss)/gain of financial instruments held for trading	-	-	-	(10)	276,822	(231,494)	203,108
	(3,869,768)	7,345	(748)	104	(404,193)	(441,116)	(5,321,602)

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

Notes to Financial Statements - (continued)

6. Dividends and Distributions Payable

For the year ended 31 August 2009:

	Western Asset USD Liquidity Fund \$	Western Asset Sterling Liquidity Fund [^] £	Western Asset Euro Liquidity Fund [^] €	Euro Liquidity Plus Fund [^] €	Western Asset Euro Government Liquidity Fund [^] €	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

[^] 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 2008:

	Western Asset USD 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 \$
Dividend distribution payable at beginning of year - Class D	5,796,763	1,211,971	365,325	-	-	-	8,747,440
Dividend distribution payable at beginning of year - Class S	33,656	287	12,361	-	-	-	51,176
Dividend distribution payable at beginning of year - Class WA	321	8,289	4,988	-	-	-	23,915
Total dividend distributions payable at beginning of year	5,830,740	1,220,547	382,674	-	-	-	8,822,531
Currency Translation	-	-	-	-	-	-	(365,516)
Dividend distributions to holders of redeemable participating shares accrued during the year - Class D	219,464,433	47,151,924	144,201,058	-	-	-	529,547,031
Dividend distributions to holders of redeemable participating shares accrued during the year - Class S	14,826,046	5,565,481	12,774,624	-	-	-	45,056,383
Dividend distributions to holders of redeemable participating shares accrued during the year - Class WA	1,899,415	553,262	899,012	-	-	-	4,348,162
Total dividend distributions to holders of redeemable participating shares accrued during the year	236,189,894	53,270,667	157,874,694	-	-	-	578,951,576
Dividend distributions paid in the year - Class D	223,821,169	46,584,496	141,510,864	-	-	-	528,739,721
Dividend distributions paid in the year - Class S	14,820,388	5,565,768	12,769,047	-	-	-	45,042,929
Dividend distributions paid in the year - Class WA	1,768,797	498,377	843,197	-	-	-	4,024,684
Total dividend distributions paid in the year	240,410,354	52,648,641	155,123,108	-	-	-	577,807,334
Dividend distributions payable at end of year - Class D	1,440,027	1,779,399	3,055,519	-	-	-	9,199,347
Dividend distributions payable at end of year - Class S	39,314	-	17,938	-	-	-	65,746
Dividend distributions payable at end of year - Class WA	130,939	63,174	60,803	-	-	-	336,164
Total dividend distributions payable at end of the year	1,610,280	1,842,573	3,134,260	-	-	-	9,601,257

For Western Asset USD Liquidity Fund, Western Asset Sterling Liquidity Fund[^], Western Asset Euro Liquidity Fund[^] and Western Asset Euro Government Liquidity Fund[^], 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.

[^] 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 year ended 31 August 2009 were as follows:

	Western Asset USD Liquidity Fund Shares	Western Asset Sterling Liquidity Fund ^A Shares	Western Asset Euro Liquidity Fund ^A Shares	Euro Liquidity Plus Fund ^A Shares	Western Asset Euro Government Liquidity Fund ^A Shares
Class D - Balance beginning of year	4,455,441,871	735,488,859	2,685,806,783	-	-
Redeemable participating shares subscribed	18,644,448,280	4,803,932,509	9,131,492,102	-	153,787,105
Redeemable participating shares reinvested	35,763,672	5,103,306	21,374,410	-	112,404
Redeemable participating shares redeemed	(19,720,754,760)	(5,217,315,968)	(11,176,000,924)	-	(86,643,685)
Balance end of year	3,414,899,063	327,208,706	662,672,371	-	67,255,824
Class S - Balance beginning of year	338,863,498	92,183,603	390,134,541	-	-
Redeemable participating shares subscribed	2,456,053,435	694,761,573	883,784,918	-	-
Redeemable participating shares reinvested	4,300,325	2,559,873	4,673,396	-	-
Redeemable participating shares redeemed	(2,200,356,150)	(512,774,405)	(1,090,337,419)	-	-
Balance end of year	598,861,108	276,730,644	188,255,436	-	-
Class C - Balance beginning of year	432,989	88,139	937,860	250,828	-
Redeemable participating shares subscribed	522,649	2,144	595,330	-	-
Redeemable participating shares reinvested	-	-	-	-	-
Redeemable participating shares redeemed	(708,303)	(88,256)	(1,150,152)	(250,828)	-
Balance end of year	247,335	2,027	383,038	-	-
Class P - Balance beginning of year	374,653	1,445	5,529	-	-
Redeemable participating shares subscribed	67,507	706	25,577	-	-
Redeemable participating shares reinvested	-	-	-	-	-
Redeemable participating shares redeemed	(379,490)	-	(9,692)	-	-
Balance end of year	62,670	2,151	21,414	-	-
Class WA - Balance beginning of year	41,816,962	10,351,015	13,871,666	-	-
Redeemable participating shares subscribed	620,111,445	202,801,689	135,844,366	-	-
Redeemable participating shares reinvested	48,189	-	-	-	-
Redeemable participating shares redeemed	(645,366,006)	(193,714,659)	(144,972,392)	-	-
Balance end of year	16,610,590	19,438,045	4,743,640	-	-

^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 year ended 31 August 2009 were as follows:

	Western Asset USD 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 \$
Balance beginning of year	4,922,651,159	846,818,108	3,173,560,401	15,696,808	-	11,172,037,521
Currency Translation	-	-	-	-	-	(501,122,863)
Issue Proceeds - Class D	18,644,448,280	4,803,932,509	9,131,492,104	-	153,787,105	38,664,740,262
Issue Proceeds - Class S	2,456,053,435	694,761,573	883,784,918	-	-	4,731,234,819
Issue Proceeds - Class C	69,040,928	230,000	74,491,202	-	-	170,036,468
Issue Proceeds - Class P	7,532,914	82,000	2,779,435	-	-	11,415,539
Issue Proceeds - Class WA	620,111,445	202,801,689	135,844,366	-	-	1,119,237,172
Issue Proceeds - Total	<u>21,797,187,002</u>	<u>5,701,807,771</u>	<u>10,228,392,025</u>	<u>-</u>	<u>153,787,105</u>	<u>44,696,664,260</u>
Reinvestment of dividend distributions - Class D	35,763,672	5,103,306	21,374,411	-	112,404	72,734,124
Reinvestment of dividend distributions - Class S	4,300,325	2,559,873	4,673,396	-	-	14,597,757
Reinvestment of dividend distributions - Class C	-	-	-	-	-	-
Reinvestment of dividend distributions - Class P	-	-	-	-	-	-
Reinvestment of dividend distributions - Class WA	48,190	-	-	-	-	48,190
Reinvestment of dividend distributions - Total	<u>40,112,187</u>	<u>7,663,179</u>	<u>26,047,807</u>	<u>-</u>	<u>112,404</u>	<u>87,380,071</u>
Redemptions - Class D	(19,720,754,759)	(5,217,315,967)	(11,176,000,924)	-	(86,643,685)	(43,055,774,734)
Redemptions - Class S	(2,200,356,151)	(512,774,405)	(1,090,337,419)	-	-	(4,471,381,533)
Redemptions - Class C	(93,027,793)	(9,561,721)	(142,129,238)	(29,520,715)	-	(339,806,830)
Redemptions - Class P	(42,117,796)	-	(1,056,188)	-	-	(43,544,705)
Redemptions - Class WA	(645,366,006)	(193,714,659)	(144,972,392)	-	-	(1,142,682,460)
Redemptions - Total	<u>(22,701,622,505)</u>	<u>(5,933,366,752)</u>	<u>(12,554,496,161)</u>	<u>(29,520,715)</u>	<u>(86,643,685)</u>	<u>(49,053,190,262)</u>
Balance end of year	<u>4,058,327,843</u>	<u>622,922,306</u>	<u>873,504,072</u>	<u>(13,823,907)</u>	<u>67,255,824</u>	<u>6,401,768,727</u>

On 15 October 2008 the remaining shareholders in Euro Liquidity Plus Fund^A placed a full redemption request order. The net asset value of the Fund on 15 October 2008 was €22,141,169. The Prospectus permits the Company to satisfy any redemption request, in respect of any Fund of 5% or more of the net asset value of the relevant Fund, in whole or in part by an in specie distribution of the relevant Fund's investments to the redeeming shareholder. The relevant shareholders may further instruct the Company to procure the sale of such underlying investments on their behalf. The final redemption of €22,141,169 from the Euro Liquidity Plus Fund^A was satisfied by an in-specie transfer of assets valued at €8,096,809 on date of redemption and cash payment of €14,044,360 in full settlement of redemption proceeds.

^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 year ended 31 August 2008 were as follows:

	Western Asset USD Liquidity Fund Shares	Western Asset Sterling Liquidity Fund [^] Shares	Western Asset Euro Liquidity Fund [^] Shares	USD Liquidity Plus Fund [^] Shares	Sterling Liquidity Plus Fund [^] Shares	Euro Liquidity Plus Fund [^] Shares
Class D - Balance beginning of year	9,404,842,824	845,960,646	2,971,217,120	-	-	-
Redeemable participating shares subscribed	37,981,216,392	8,473,043,031	26,486,406,289	-	-	-
Redeemable participating shares reinvested	176,337,091	28,432,153	108,043,306	-	-	-
Redeemable participating shares redeemed	(43,106,954,436)	(8,611,946,971)	(26,879,859,932)	-	-	-
Balance end of year	4,455,441,871	735,488,859	2,685,806,783	-	-	-
Class S - Balance beginning of year	346,822,023	122,932,125	243,448,808	-	-	-
Redeemable participating shares subscribed	4,846,657,513	587,462,981	1,416,929,009	-	-	-
Redeemable participating shares reinvested	13,799,495	5,465,290	12,523,195	-	-	-
Redeemable participating shares redeemed	(4,868,415,533)	(623,676,793)	(1,282,766,471)	-	-	-
Balance end of year	338,863,498	92,183,603	390,134,541	-	-	-
Class C - Balance beginning of year	119,159	76,718	1,248,317	3,382	974,731	358,420
Redeemable participating shares subscribed	1,004,114	47,581	791,390	-	212	19,533
Redeemable participating shares reinvested	-	-	-	-	-	-
Redeemable participating shares redeemed	(690,284)	(36,160)	(1,101,847)	(3,382)	(974,943)	(127,125)
Balance end of year	432,989	88,139	937,860	-	-	250,828
Class P - Balance beginning of year	11,307	937	1,542	-	-	-
Redeemable participating shares subscribed	416,899	508	8,433	-	-	-
Redeemable participating shares reinvested	-	-	-	-	-	-
Redeemable participating shares redeemed	(53,553)	-	(4,446)	-	-	-
Balance end of year	374,653	1,445	5,529	-	-	-
Class WA - Balance beginning of year	12,646,791	2,451,980	28,220,636	-	-	-
Redeemable participating shares subscribed	1,190,177,215	120,728,377	212,196,574	-	-	-
Redeemable participating shares reinvested	190,121	41,718	304,048	-	-	-
Redeemable participating shares redeemed	(1,161,197,165)	(112,871,060)	(226,849,592)	-	-	-
Balance end of year	41,816,962	10,351,015	13,871,666	-	-	-

[^] 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 year ended 31 August 2008 were as follows:

	Western Asset USD Liquidity Fund \$	Western Asset Sterling Liquidity Fund ^A £	Western Asset Euro Liquidity Fund ^A €	USD Liquidity Plus Fund ^A \$	Sterling Liquidity Plus Fund ^A £	Euro Liquidity Plus Fund ^A €	Total \$
Balance beginning of year	9,769,978,893	978,982,830	3,362,630,925	(16,814,479)	120,491,189	28,808,844	16,386,915,360
Currency Translation	-	-	-	-	-	-	640,171,187
Issue Proceeds - Class D	37,981,216,392	8,473,043,031	26,486,406,289	-	-	-	94,563,074,565
Issue Proceeds - Class S	4,846,657,513	587,462,981	1,416,929,009	-	-	-	8,140,387,057
Issue Proceeds - Class C	128,897,605	4,890,782	95,740,095	45	28,009	2,336,907	285,812,801
Issue Proceeds - Class P	46,030,727	55,000	883,762	-	-	-	47,465,903
Issue Proceeds - Class WA	1,190,177,215	120,728,377	212,196,574	-	-	-	1,748,558,748
Issue Proceeds - Total	<u>44,192,979,452</u>	<u>9,186,180,171</u>	<u>28,212,155,729</u>	<u>45</u>	<u>28,009</u>	<u>2,336,907</u>	<u>104,785,299,074</u>
Reinvestment of dividend distributions - Class D	176,337,091	28,432,153	108,043,306	-	-	-	394,955,308
Reinvestment of dividend distributions - Class S	13,799,495	5,465,290	12,523,194	-	-	-	43,453,427
Reinvestment of dividend distributions - Class C	-	-	-	-	-	-	-
Reinvestment of dividend distributions - Class P	-	-	-	-	-	-	-
Reinvestment of dividend distributions - Class WA	190,121	41,718	304,048	-	-	-	729,202
Reinvestment of dividend distributions - Total	<u>190,326,707</u>	<u>33,939,161</u>	<u>120,870,548</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>439,137,937</u>
Redemptions - Class D	(43,106,954,436)	(8,611,946,972)	(26,879,859,932)	-	-	-	(100,555,254,470)
Redemptions - Class S	(4,868,415,533)	(623,676,793)	(1,282,766,471)	-	-	-	(8,032,878,360)
Redemptions - Class C	(88,199,512)	(3,789,229)	(132,153,066)	(361,366)	(129,519,526)	(15,448,943)	(575,051,209)
Redemptions - Class P	(5,867,247)	-	(467,740)	-	-	-	(6,568,951)
Redemptions - Class WA	(1,161,197,165)	(112,871,060)	(226,849,592)	-	-	-	(1,725,938,452)
Redemptions - Total	<u>(49,230,633,893)</u>	<u>(9,352,284,054)</u>	<u>(28,522,096,801)</u>	<u>(361,366)</u>	<u>(129,519,526)</u>	<u>(15,448,943)</u>	<u>(110,895,691,442)</u>
Balance end of year	<u>4,922,651,159</u>	<u>846,818,108</u>	<u>3,173,560,401</u>	<u>(17,175,800)</u>	<u>(9,000,328)</u>	<u>15,696,808</u>	<u>11,355,832,116</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. The Company has adopted segregated liability between Funds. Liabilities incurred on behalf of a Fund will generally be discharged solely out of the assets of that Fund and, pursuant to Irish Law, the Company should not be liable as a whole to third parties for the liability of each Fund. 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 as noted below, 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.

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

Notes to Financial Statements - (continued)

8. Operating Expenses - (continued)

For Western Asset USD Liquidity Fund, Western Asset Sterling Liquidity Fund[^] and Western Asset Euro 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.

For Western Asset Euro Government Liquidity Fund[^] the total operating expenses borne by the Shares did not exceed 0.40% for Class P and 0.20% for Class D Shares, of the average daily Net Asset Value of the Fund on an annual basis.

For USD Liquidity Plus Fund[^], Sterling Liquidity Plus Fund[^] and Euro Liquidity Plus Fund[^], the total operating expenses borne by the Shares did not exceed 0.40% for Class C Shares and 0.60% for Class P Shares of the average daily Net Asset Value of the Fund on an annual basis.

For the year ended 31 August 2009, the Investment Managers have agreed to reimburse Western Asset USD Liquidity Fund for expenses amounting to \$27,790 (31 August 2008: \$1,366,690), Western Asset Sterling Liquidity Fund[^] for expenses amounting to £142,937 (31 August 2008: £720), Western Asset Euro Liquidity Fund[^] for expenses amounting to €4,108 (31 August 2008: nil), USD Liquidity Plus Fund[^] for expenses amounting to nil (31 August 2008: \$30,589), Sterling Liquidity Plus Fund[^] for expenses amounting to nil (31 August 2008: £211), Euro Liquidity Plus Fund[^] for expenses amounting to €1,028 (31 August 2008: €1,333) and Western Asset Euro Government Liquidity Fund[^] for expenses amounting to €12,667, which exceeded the expense limitations as determined by the Directors.

Independent auditor fees (inclusive of Value Added Tax) during the year amounted to \$142,241 (31 August 2008: \$202,749).

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 2008, Western Asset Management Company and Western Asset Management Company Limited acted as Investment Managers to the Company. Fees charged for the year ended 31 August 2009 and amounts payable at 31 August 2009 and 31 August 2008 in respect of these services are detailed below.

31 August 2009

	Western Asset USD 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

31 August 2008

	Western Asset USD 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 \$
Investment Managers fees charged	5,806,105	1,171,681	4,502,116	-	88,578	69,374	15,170,026
Less: Expenses reimbursed and fees waived by Investment Manager	(6,161,863)	(1,054,831)	(3,919,331)	(30,589)	(57,734)	(67,368)	(14,385,413)
Total net Investment Manager fee charged	(355,758)	116,850	582,785	(30,589)	30,844	2,006	784,613
Investment Managers fees payable at year end	232,993	14,036	43,355	-	-	460	323,246
Receivable from Investment Manager at year end	-	720	-	-	-	-	1,319
Distributions fees charged	3,567,616	619,327	2,273,754	-	27,202	18,378	8,291,768
Distribution fees payable at year end	258,140	48,907	194,885	-	-	1,500	637,033

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

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

Notes to Financial Statements - (continued)

9. Related Party Transactions - (continued)

Distribution fees are payable by all active Funds 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.

Distribution fees were payable at a rate of 0.20% per annum of the Net Asset Value, with respect to Class P Shares issued by the Euro Liquidity Plus Fund[^].

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 on the daily net assets of the Fund at the applicable rate. The Distributor (being either Western Asset Management Company Limited or Legg Mason Investments (Europe) Limited, (the "Distributor")) will receive these fees only in respect of net assets of the Fund which are distributed or sold by the Distributor or its appointed sub distributors or selling agents. The sum of such calculations shall be payable during the course of the next calendar month.

Please refer to note 19 for additional related party disclosures.

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 years ended 31 August 2009 and 31 August 2008.

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

Notes to Financial Statements - (continued)

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 and Mr Frank Ennis, who were not employees and/or officers of Legg Mason, for the year ended 31 August 2009 were \$51,775 (31 August 2008: \$49,922). No Directors' fees were paid to employees and/or officers of Legg Mason during the year ended 31 August 2009 or 31 August 2008.

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

Sub-fund	Class	Year ended	CCY	Total Net Asset Value	Net Asset Value Per Share
Western Asset USD Liquidity Fund	- 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>	
	- Class D	31/08/2008	\$	4,450,891,192	\$1.00
	- Class S	31/08/2008	\$	338,593,919	\$1.00
	- Class C	31/08/2008	\$	56,501,257	\$130.4912
	- Class P	31/08/2008	\$	41,489,579	\$110.7412
	- Class WA	31/08/2008	\$	41,835,959	\$1.00
	Total		\$	<u>4,929,311,906</u>	
	- Class D	31/08/2007	\$	9,403,936,429	\$1.00
	- Class S	31/08/2007	\$	346,788,598	\$1.00
	- Class C	31/08/2007	\$	14,974,138	\$125.6773
- Class P	31/08/2007	\$	1,208,951	\$106.9309	
- Class WA	31/08/2007	\$	12,645,572	\$1.00	
Total		\$	<u>9,779,553,688</u>		
Western Asset Sterling Liquidity Fund [^]	- Class D	31/08/2009	£	327,208,706	£1.00
	- Class S	31/08/2009	£	276,730,644	£1.00
	- Class C	31/08/2009	£	221,441	£109.2414
	- Class P	31/08/2009	£	249,921	£116.1677
	- Class WA	31/08/2009	£	19,438,045	£1.00
	Total		£	<u>623,848,757</u>	
	- Class D	31/08/2008	£	735,299,795	£1.00
	- Class S	31/08/2008	£	92,165,007	£1.00
	- Class C	31/08/2008	£	9,388,545	£105.5194
	- Class P	31/08/2008	£	164,119	£113.5800
	- Class WA	31/08/2008	£	10,367,635	£1.00
	Total		£	<u>847,385,101</u>	
	- Class D	31/08/2007	£	845,774,781	£1.00
	- Class S	31/08/2007	£	122,905,116	£1.00
	- Class C	31/08/2007	£	7,718,444	£100.6301
- Class P	31/08/2007	£	100,758	£107.5563	
- Class WA	31/08/2007	£	2,451,441	£1.00	
Total		£	<u>978,950,540</u>		
Western Asset Euro Liquidity Fund [^]	- 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>	
	- Class D	31/08/2008	€	2,685,802,913	€1.00
	- Class S	31/08/2008	€	390,141,564	€1.00
	- Class C	31/08/2008	€	114,704,335	€122.3044
	- Class P	31/08/2008	€	589,824	€106.6773
	- Class WA	31/08/2008	€	13,872,347	€1.00
	Total		€	<u>3,205,110,983</u>	
	- Class D	31/08/2007	€	2,971,149,975	€1.00
	- Class S	31/08/2007	€	243,443,306	€1.00
	- Class C	31/08/2007	€	146,053,034	€117.0026
- Class P	31/08/2007	€	157,736	€102.2956	
- Class WA	31/08/2007	€	28,219,998	€1.00	
Total		€	<u>3,389,024,049</u>		

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

Notes to Financial Statements - (continued)

14. Comparative Table - Net Asset Values Attributable to Holders of Redeemable Participating Shares - (continued)

Sub-fund	Class	Year ended	CCY	Total Net Asset Value	Net Asset Value Per Share
USD Liquidity Plus Fund ^A	- Class C	31/08/2009	\$	-	-
	- Class C	31/08/2008	\$	-	-
	- Class C	31/08/2007	\$	359,641	\$106.4014
Sterling Liquidity Plus Fund ^A	- Class C	31/08/2009	£	-	-
	- Class C	31/08/2008	£	-	-
	- Class C	31/08/2007	£	126,886,158	£130.1978
Euro Liquidity Plus Fund ^A	- Class C	31/08/2009	€	-	-
	- Class C	31/08/2008	€	30,756,027	€122.6117
	- Class C	31/08/2007	€	42,446,627	€118.4580
Western Asset Euro Government Liquidity Fund ^A	- Class D	31/08/2009	€	67,255,824	€1.00

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 USD Liquidity Fund and Western Asset Management Company Limited as Investment Manager to Western Asset Euro Liquidity Fund^A, Western Asset Sterling Liquidity Fund^A and Euro Liquidity Plus Fund^A.

As disclosed in note 19, on 6 March 2009, Western Asset Management Company replaced Western Asset Management Company Limited as Investment Manager to Western Asset Euro Liquidity Fund^A and Western Asset Sterling Liquidity Fund^A. On the same date, Western Asset Management Company appointed Western Asset Management Company Limited as Sub-Investment Manager to each of these Funds.

As disclosed in note 19, on 5 May 2009, Western Asset Euro Government Liquidity Fund^A 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 oversees risk management and incorporates it into the investment process. This team combines the best of the Investment Manager's technology and experience to develop useful risk management tools and procedures. These tools and procedures provide daily analysis for both the investment team and the Analytics/ Risk Management Department, ensuring the integration of professional risk management practices into the investment process.

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 and other financial instruments within specified limits and investment mandates.

^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)

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 year ended 31 August 2009 and 31 August 2008, 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.

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 controlled 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. As at 31 August 2009 the Funds do not have any financial liabilities other than amounts due to short-term creditors and Net Assets Attributable to Holders of Redeemable Participating Shares.

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.

Notes to Financial Statements - (continued)

15. Risk Exposure and Risk Management - (continued)

15.1 Market Risk - (continued)

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

Fund	31 August 2009	31 August 2008
Western Asset USD Liquidity Fund	0.03%	0.02%
Western Asset Sterling Liquidity Fund [^]	0.01%	0.01%
Western Asset Euro Liquidity Fund [^]	0.02%	0.01%
Western Asset Euro Government Liquidity Fund [^]	0.01%	n/a

(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 US 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.

(c) Interest Rate Risk

As at 31 August 2009 and 31 August 2008, 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 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 USD 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 analysis of fixed, variable and non-interest bearing securities as at 31 August 2008 is as follows:

Fund		Investments in Fixed Interest Securities	Investments in Variable Interest Securities	Investments in Non-Interest Bearing Securities
Western Asset USD Liquidity Fund	\$	2,548,619,420	2,274,347,686	-
Western Asset Sterling Liquidity Fund [^]	£	630,268,934	255,813,105	-
Western Asset Euro Liquidity Fund [^]	€	1,887,248,170	1,450,252,582	-
Euro Liquidity Plus Fund [^]	€	8,622,735	21,275,080	(47,660)

The variable rate securities held by each Fund as at 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 31 August 2009 are as follows:

Fund	Weighted Average Yield	Weighted Average Years to Maturity
Western Asset USD 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)

The weighted average yield and weighted average years to maturity of each Fund on its fixed rate instruments as at 31 August 2008 are as follows:

Fund	Weighted Average Yield	Weighted Average Years to Maturity
Western Asset USD Liquidity Fund	2.95%	0.23
Western Asset Sterling Liquidity Fund [^]	5.43%	0.11
Western Asset Euro Liquidity Fund [^]	4.65%	0.10
Euro Liquidity Plus Fund [^]	3.77%	0.37

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 31 August 2009

Western Asset USD 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	21,774,885	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

[^] 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 – (continued)

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

As at 31 August 2008

Western Asset USD 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	2,274,347,686	103,951,000	1,548,433,312	896,235,108	77,446,860	4,900,413,966
Other receivables and assets	331	-	-	-	31,525,710	31,526,041
Total Assets	2,274,348,017	103,951,000	1,548,433,312	896,235,108	108,972,570	4,931,940,007
Liabilities						
Accrued expenses and other liabilities	-	-	-	-	2,628,101	2,628,101
Total Liabilities	-	-	-	-	2,628,101	2,628,101
Total Interest Sensitivity Gap	2,274,348,017	103,951,000	1,548,433,312	896,235,108	106,344,469	4,929,311,906

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	255,813,105	333,767,398	277,230,403	19,271,133	-	886,082,039
Other receivables and assets	202,139	-	-	-	2,583,347	2,785,486
Total Assets	256,015,244	333,767,398	277,230,403	19,271,133	2,583,347	888,867,525
Liabilities						
Accrued expenses and other liabilities	-	-	-	-	41,482,424	41,482,424
Total Liabilities	-	-	-	-	41,482,424	41,482,424
Total Interest Sensitivity Gap	256,015,244	333,767,398	277,230,403	19,271,133	(38,899,077)	847,385,101

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	1,450,252,582	920,782,169	897,510,802	68,955,199	-	3,337,500,752
Other receivables and assets	154,343	-	-	-	9,462,866	9,617,209
Total Assets	1,450,406,925	920,782,169	897,510,802	68,955,199	9,462,866	3,347,117,961
Liabilities						
Accrued expenses and other liabilities	-	-	-	-	142,006,978	142,006,978
Total Liabilities	-	-	-	-	142,006,978	142,006,978
Total Interest Sensitivity Gap	1,450,406,925	920,782,169	897,510,802	68,955,199	(132,544,112)	3,205,110,983

[^] 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 2008 - (continued)

Euro Liquidity Plus 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	21,275,080	2,208,287	4,948,173	1,466,275	-	29,897,815
Other receivables and assets	213,211	-	-	-	1,217,751	1,430,962
Total Assets	21,488,291	2,208,287	4,948,173	1,466,275	1,217,751	31,328,777
Liabilities						
Financial Liabilities at Fair Value through Profit or Loss	-	-	-	-	47,660	47,660
Accrued expenses and other liabilities	-	-	-	-	525,090	525,090
Total Liabilities	-	-	-	-	572,750	572,750
Total Interest Sensitivity Gap	21,488,291	2,208,287	4,948,173	1,466,275	645,001	30,756,027

(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 year. 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, except for Capital Support Agreements, as at 31 August 2009 on any of the Funds.

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.

[^] 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)**

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.

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 31 August 2009 and 31 August 2008:

2009

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

2008

Fund	Currency	Single Broker Priced	Fair Valued by Valuation Committee	Matrix Priced
Western Asset USD Liquidity Fund	\$	-	462,014,461	20,139,804
Western Asset Sterling Liquidity Fund[^]	£	79,774,500	-	-
Western Asset Euro Liquidity Fund[^]	€	266,028,506	-	-
Euro Liquidity Plus Fund[^]	€	1,786,141	-	-

In addition, holdings of \$1,743,913,792 (31 August 2008: \$2,169,854,644) of the Western Asset USD Liquidity Fund were valued using an independent third party valuation model.

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

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.

[^] 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 - (continued)**

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 year are set out in note 19.

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.

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.

Notes to Financial Statements - (continued)

15. Risk Exposure and Risk Management - (continued)

15.2 Credit Risk - (continued)

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 31 August 2009, 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 based on credit ratings of the debt securities held in the Funds:

Rating	Western Asset USD 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 €
	2009	2008	2009	2008	2009	2008	2008	2009
A-1+	76.81%	72.59%	51.02%	72.43%	54.45%	78.31%	80.05%	85.86%
A-1	21.95%	14.73%	48.98%	27.57%	45.55%	17.36%	3.60%	14.14%
A-2	-	-	-	-	-	-	1.11%	-
AA-E	-	-	-	-	-	-	4.97%	-
AAA	-	-	-	-	-	-	1.08%	-
AAE	-	-	-	-	-	-	1.46%	-
D	-	6.77%	-	-	-	-	-	-
Not Rated	1.24%	5.91%	-	-	-	4.33%	7.73%	-
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

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 year.

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.

^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)

15.3 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:

31 August 2009

	Western Asset USD 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 (including amounts due to Redeemable Participating Shareholders)						
	4,149,444,596	719,057,185	906,570,988	29,835	67,283,595	6,716,780,158

31 August 2008

	Western Asset USD Liquidity Fund \$	Western Asset Sterling Liquidity Fund ^A £	Western Asset Euro Liquidity Fund ^A €	USD Liquidity Plus Fund ^A \$	Sterling Liquidity Plus Fund ^A £	Euro Liquidity Plus Fund ^A €	Total \$
Liabilities							
Less than 1 month							
Financial Derivative Instruments	-	-	-	-	-	2,310	3,404
Dividend Distributions Payable to Holders of Redeemable Participating Shares	1,610,280	1,842,573	3,134,259	-	-	-	9,601,257
Payable for Redeemable Participating Shares Purchased	16,000	-	-	-	-	-	16,000
Payable for Investments Purchased	-	39,465,689	138,359,090	-	-	499,305	276,845,843
Investment Managers' Fee Payable	232,993	14,036	43,355	-	-	460	323,246
Administration, Transfer Agent Services and Custodian Fees Payable	107,129	18,204	72,217	-	-	752	247,969
Distribution Fee Payable	258,140	48,907	194,885	-	-	1,500	637,033
Accrued Expenses	135,341	50,220	99,467	233	14,563	1,428	402,821
Redeemable Participating Shares	4,929,311,906	847,385,101	3,205,110,983	-	-	30,756,027	11,248,415,634
3 months – 1 year							
Accrued Expenses	268,218	42,795	103,705	23,367	8,457	21,645	570,100
Financial Derivative Instruments	-	-	-	-	-	45,350	66,823
Total Financial Liabilities (including amounts due to Redeemable Participating Shareholders)							
	4,931,940,007	888,867,525	3,347,117,961	23,600	23,020	31,328,777	11,537,130,130

^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 year ended 31 August 2009 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 31 August 2009. As at 31 August 2008 only the Euro Liquidity Plus Fund[^] held futures contracts.

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 31 August 2009 Western Asset Sterling Liquidity Fund[^] and Western Asset Euro Liquidity Fund[^] had entered into repurchase agreements. As at 31 August 2008 none of the Funds had entered into any 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 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:

- Prospectus dated 20 March 2009 was issued in respect of the Company, and revised supplements were issued in respect of the Western Asset USD Liquidity Fund, Western Asset Sterling Liquidity Fund[^] and Western Asset Euro Liquidity Fund[^]. A supplement was also issued to launch a new Fund, Western Asset Euro Government Liquidity Fund[^].
- Simplified Prospectus dated 20 March 2009 was issued in respect of the Western Asset USD Liquidity Fund, Western Asset Sterling Liquidity Fund[^], Western Asset Euro Liquidity Fund[^] and Western Asset Euro Government Liquidity Fund[^].
- Prospectus dated 29 May 2009 was issued in respect of the Company, and revised supplements were issued in respect of the Western Asset USD Liquidity Fund, Western Asset Sterling Liquidity Fund[^], Western Asset Euro Liquidity Fund[^] and Western Asset Euro Government Liquidity Fund[^].
- Prospectus dated 29 June 2009 was issued in respect of the Company, and revised supplements were issued in respect of the Western Asset USD Liquidity Fund, Western Asset Sterling Liquidity Fund[^] and Western Asset Euro Government Liquidity Fund[^].
- Simplified Prospectus dated 29 June 2009 was issued in respect of the Western Asset USD 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.

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

Notes to Financial Statements - (continued)

19. Significant Events

The following are significant events that occurred in the year ended 31 August 2009 and the year ended 31 August 2008:

In relation to the Western Asset USD Liquidity Fund, the following arrangements have been entered into:

- In late October 2007 asset backed commercial paper sponsored by Axon Financial LLC and Cheyne Finance LLC was downgraded below investment grade by Moody's and Standard & Poor's. On 2 November 2007 and 21 November 2007 Legg Mason, Inc. ("Legg Mason") obtained letters of credit from two major US banks, Citibank, N.A. and Bank of America N.A., to provide credit enhancement to the Company in respect of 50% of the par value of the Cheyne and Axon securities, respectively in order for the sub-fund to preserve its AAA/Aaa rating by the rating agencies. On 2 November 2007, two letters of credit were obtained by Legg Mason from Citibank N.A. each with a termination date of 31 October 2008, one in respect of Cheyne securities for an aggregate amount not to exceed \$137.5 million and the other in respect of Axon securities for an aggregate amount not to exceed \$65 million. On 21 November 2007, a letter of credit was obtained from Bank of America N.A. with a termination date of 20 November 2008 in respect of Axon securities for an aggregate amount not to exceed \$97.5 million.
- In respect of notes and instruments issued by Beta Finance Inc., CC USA Inc., K2 (USA) LLC and Five Finance Inc., on 21 November 2007 Legg Mason and the Baltimore Company entered into a capital support agreement ("CSA") with the Company in order for the sub-fund to preserve its AAA/Aaa rating. The CSA dated 21 November 2007 between Legg Mason and the Company in respect of the securities listed above written to a maximum amount of \$10 million with an expiry date of 26 November 2008. A contribution is paid in the event that any of eligible securities are a) restructured b) sold for an amount less than the amortised cost or c) held at 25 November 2008, with any of these events on the date of occurrence causing a deviation in NAV of greater than \$0.0025. On 6 December 2007 the CSA was amended to increase the maximum amount to \$15 million.
- Legg Mason, after having entered into the CSA on 28 December 2007, entered into a total return swap with a major UK bank, Barclays Bank Plc. Under this transaction Barclays Bank Plc purchased from the Company all of the K2 (USA) LLC notes and instruments together with notes and instruments issued by Whistlejacket Capital Limited and White Pine Finance LLC (which were not subject to the CSA or any other support arrangements) for an aggregate price of \$832 million. The aggregate amortised cost value of the notes and instruments was \$890 million (which represented 21.31% of the sub-fund's Net Asset Value) and in respect of the shortfall between this amount and the price paid by Barclays Bank Plc, the Company received a cash contribution of \$58 million from Legg Mason Marketing Company. The cash contribution from Legg Mason Marketing Company resulted in an offset against realised losses in the Profit and Loss Account for the year ended 31 August 2008.
- On 18 September 2008, Legg Mason obtained a supplementary letter of credit from a major bank, Citibank N.A., to provide credit protection in respect of the balance of the nominal value of the Axon and Cheyne securities not covered by the letters of credit issued 2 November 2007 and 21 November 2007 (on 23 July 2008, the Cheyne securities underwent a restructuring and the Western Asset USD Liquidity Fund received replacement notes issued by Gryphon Funding Limited and Cheyne Funding LLC in exchange for Cheyne securities).
- On 29 September 2008, Legg Mason purchased in cash all of the Axon, Gryphon and Cheyne securities held by the Western Asset USD Liquidity Fund. The \$550,397,464 payment represented the aggregate amortised cost value, the letter of credit derivative and delinquent interest. The letters of credit dated 2 November 2009, 21 November 2007 and 18 September 2008, respectively each terminated.
- On 2 October 2008, in respect of notes and instruments issued by San Paulo IMI NY, Federal Farm Credit Bank, Bank of Montreal, BNP Paribas, Federal Home Loan, UBS Stamford YCD, Rabobank Nederland, Bank of America Corp, Abbey National, KBC Financial Ltd, Natexis Banques, Defta Bank Plc, Canadian Imperial Bank, Credit Suisse, Fannie Mae, Bank of Ireland, Australia and NZ Banking, Sanpaolo IMI, Unicredito Italiano, BNZ International, Barclays Bank, Royal Bank of Scotland, Allied Irish Bank, ING (US) Funding, Skandinav Enskilda, IBM International Group, Freddie Mac, JP Morgan Chase, Skandinav Enskilda and Royal Bank of Canada the Company entered into a capital support agreement with Legg Mason and LM Capital Support V LLC, a 100% owned subsidiary of Legg Mason, in respect of Western Asset USD Liquidity Fund. The CSA in respect of the securities listed above is written to a maximum amount of \$7 million with an expiry date of 2 October 2009. A contribution shall be paid in the event that any of eligible securities a) are sold for an amount less than the amortised cost value or b) are in receipt of final payment in an amount less than the amortised cost value or c) are subject to issuance of orders by a court discharging the Issuer from liability for any eligible security in the event that the value of such security is less than the amortised cost value on the date of issuance of the order or d) is exchanged for a replacement security whose value at the date of exchange which is less than the amortised cost value or e) continues to be held at 2 October 2009. Subsequently, two of the notes under the CSA dated 2 October 2008, JP Morgan Chase and Barclays Bank, were sold and replaced by the replacement securities; New York Life Global Funding on 24 October 2008 and Royal Bank of Scotland Group plc on 29 October 2008.
- On 14 July 2009 the Company, Legg Mason Inc and LM Capital Support V LLC entered into a mutual termination and release agreement which terminated the CSA dated 2 October 2008 in respect of the Western Asset USD Liquidity Fund.

In relation to the Western Asset Sterling Liquidity Fund[^], the following arrangements have been entered into:

- On 29 September 2008, in respect of notes and instruments issued by Lloyds TSB Bank Plc, GE Capital UK, Westpac Banking Corp., Allied Irish Banks Plc, DRVUK 2008-1 A1 and GE Capital UK Funding, the Company entered into a capital support agreement with Legg Mason and LM Capital Support V LLC, a 100% owned subsidiary of Legg Mason, in respect of Western Asset Sterling Liquidity Fund[^] (the "Sterling CSA"). The CSA in respect of the securities listed above is written to a maximum amount of \$3 million with an expiry

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

Notes to Financial Statements - (continued)**19. Significant Events - (continued)**

date of 30 September 2009. A contribution shall be paid in the event that any of eligible securities a) are sold for an amount less than the amortised cost value or b) are in receipt of final payment in an amount less than the amortised cost value or c) are subject to issuance of orders by a court discharging the Issuer from liability for any eligible security in the event that the value of such security is less than the amortised cost value on the date of issuance of the order or d) is exchanged for a replacement security whose value at the date of exchange which is less than the amortised cost value or e) continues to be held at 30 September 2009.

- On 5 December 2008, the Company entered into an amended Sterling CSA with Legg Mason and LM Capital Support V LLC, a 100% owned subsidiary of Legg Mason, in respect of Western Asset Sterling Liquidity Fund[^]. The CSA was extended to a maximum amount of \$4 million to cover the following notes and instruments issued by Lloyds TSB Bank Plc, GE Capital UK, Westpac Banking Corp, Allied Irish Banks Plc, DRVUK 2008-1 A1 and GE Capital UK Funding. The termination date of the amended Sterling CSA is 7 October 2009 and the contribution terms are unchanged from the CSA dated 29 September 2008.
- On 6 March 2009, the Company entered into an amended Sterling CSA with Legg Mason and LM Capital Support V LLC, a 100% owned subsidiary of Legg Mason, in respect of Western Asset Sterling Liquidity Fund[^]. The CSA was extended to a maximum amount of \$5 million to cover the following notes and instruments issued by Lloyds TSB Bank Plc, GE Capital UK, Westpac Banking Corp, Allied Irish Banks Plc, DRVUK 2008-1 A1, GE Capital UK Funding, Royal Bank of Scotland and Bank of Nova Scotia. The termination date of the amended Sterling CSA is 29 September 2009 and the contribution terms are unchanged from the CSA dated 29 September 2008.

In relation to the Western Asset Euro Liquidity Fund[^], the following arrangements have been entered into:

- On 29 September 2008, in respect of notes and instruments issued by GE Capital Euro Funding, Deutsche Bank AG, KBC IFIMA NV, ING Bank NV, GLDR 2008-1 A, Allied Irish Banks Plc, Svenska Handelsbanken and Danske Bank the Company entered into a capital support agreement with Legg Mason and LM Capital Support V LLC, a 100% owned subsidiary of Legg Mason, in respect of Western Asset Euro Liquidity Fund[^] (the "Euro CSA"). The CSA in respect of the securities listed above is written to a maximum amount of \$10 million with an expiry date of 30 September 2009. A contribution shall be paid in the event that any of eligible securities a) are sold for an amount less than the amortised cost value or b) are in receipt of final payment in an amount less than the amortised cost value or c) are subject to issuance of orders by a court discharging the Issuer from liability for any eligible security in the event that the value of such security is less than the amortised cost value on the date of issuance of the order or d) is exchanged for a replacement security whose value at the date of exchange which is less than the amortised cost value or e) continues to be held at 30 September 2009.
- On 7 October 2008, the Company entered into an amended Euro CSA with Legg Mason and LM Capital Support V LLC, a 100% owned subsidiary of Legg Mason, in respect of Western Asset Euro Liquidity Fund[^]. The CSA was extended to a maximum amount of \$17.5 million to cover the following notes and instruments issued by GE Capital Euro Funding, Deutsche Bank AG, KBC IFIMA NV, ING Bank NV, GLDR 2008-1 A, Allied Irish Banks Plc, Svenska Handelsbanken, Danske Bank, Toronto-Dominion Bank, Caixa Geral, Pohjola Bank Plc, Driver One GmbH, FTA Santander Auto, Arran Residential Mortgage, Banque Federal Credit Mutuel, Natixis, Barclays Bank Plc, BPE Financiaciones SA and Caisse Nationale des Caisses d'Epargne et de Prevoyance. The termination date of the amended Euro CSA is 7 October 2009 and the contribution terms are unchanged from the CSA dated 29 September 2008.
- On 16 December 2008, the Company entered into an amended Euro CSA with Legg Mason and LM Capital Support V LLC, a 100% owned subsidiary of Legg Mason, in respect of Western Asset Euro Liquidity Fund[^]. The CSA was extended to a maximum amount of \$22.5 million, to include, in addition to the notes and instruments on the agreement dated 7 October 2008, Auto ABS Compartment, Noria, Storm BV, UCI, Credit Agricole, Local Securitisation Vehicles, Caixa Geral, Kommunalkredit. The termination date of the amended Euro CSA is 7 October 2009 and the contribution terms are unchanged from the CSA dated 29 September 2008.

As at 31 August 2009 the securities covered by the above active support agreement for Western Asset Euro Liquidity Fund[^] were as follows:

	Amortised Cost Value	Value of Capital Support Agreement
	€	€
Western Asset Euro Liquidity Fund[^]	466,530,730	218,901

On 15 October 2008, all shareholders requested full redemption from the Euro Liquidity Plus Fund[^] and the sub-fund ceased trading.

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.

The Financial Regulator revoked authorisation for the USD Liquidity Plus Fund[^] and USD Sterling Plus Fund[^] on 3 April 2009.

Effective 5 May 2009, the Western Asset Euro Government Liquidity Fund[^] commenced trading.

On 21 May 2009, the Company in general meeting passed an extraordinary resolution to amend the Company's name to "Western Asset Liquidity Funds plc" with effect from 1 June 2009 and to amend the Company's Memorandum and Articles of Association by replacing all references to "Citi Institutional Liquidity Fund plc" with "Western Asset Liquidity Funds plc". The resolution was approved by the

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

Notes to Financial Statements - (continued)

19. Significant Events - (continued)

Shareholders and consequently as of 1 June 2009 the Company's name will be amended to "Western Asset Liquidity Funds plc" and its Memorandum and Articles of Association will also be amended accordingly. 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 USD Liquidity Fund
Sterling Liquidity Fund	Western Asset Sterling Liquidity Fund^
Euro Liquidity Fund	Western Asset Euro Liquidity Fund^

Frank Ennis resigned as director effective 25 August 2009.

20. Subsequent Events

Joseph Keane was appointed as director with an effective date of 11 September 2009.

On 29 September 2009 the Western Asset Sterling Liquidity Fund^ CSA Agreement expired.

On 29 September 2009, the Company entered into an amended Euro CSA with Legg Mason and LM Capital Support V LLC, a 100% owned subsidiary of Legg Mason, in respect of Western Asset Euro Liquidity Fund^. The CSA was reduced to a maximum amount of \$5 million, to include, the following notes and instruments issued by KBC IFIMA NV, GE Capital Euro Funding, Caixa Geral, ING Bank NV, Svenska Handelsbanken, European Investments Bank, Toronto-Dominion Bank, SFEF, Spanish Government, Driver One GmbH, GLDR 2008-1 A, Auto ABS Compartment, Noria, FTA Santander Auto and Arran Residential Mortgage. The termination date of the amended Euro CSA is 31 March 2010 and the contribution terms are unchanged from the CSA dated 16 December 2008.

There were no other subsequent events affecting the Company which would require alteration to the financial statements.

21. Comparative Period

Certain prior year comparative numbers have been restated to comply with current period presentation.

22. Approval of the Financial Statements

The board of Directors approved the financial statements on 10 November 2009.

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

Statements of Portfolio Changes for the year ended 31 August 2009 (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 year 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 year. 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 year, then all transactions are present.

WESTERN ASSET USD LIQUIDITY FUND

MAJOR PURCHASES	COST (\$)	MAJOR SALES	PROCEEDS (\$)
Automatic Data Processing, 2.090% due 09/09/2008	199,346,426	CC USA, Inc., 2.188% due 09/12/2008	250,000,000
Bank of America Corp., 0.200% due 08/05/2009	174,999,028	Bank of America Corp., 0.160% due 08/18/2009	250,000,000
Bank of America Corp., 0.200% due 08/04/2009	169,999,055	Beta Finance, Inc., 2.188% due 09/12/2008	200,000,000
Wells Fargo & Co., 1.000% due 06/24/2009	158,998,896	Five Finance, Inc., 3.234% due 11/25/2008	200,000,000
CBA (Delaware) Finance, 0.200% due 08/04/2009	154,999,139	Automatic Data Processing, 2.090% due 09/09/2008	199,358,000
Swedbank, 0.990% due 12/03/2008	154,995,738	Bank of America Corp., 0.200% due 08/05/2009	175,000,000
Toyota Motor Credit Corp., 1.000% due 07/15/2009	149,999,375	Bank of America Corp., 0.200% due 08/04/2009	170,000,000
Automatic Data Processing, 1.000% due 08/26/2009	149,999,375	Wells Fargo & Co., 1.000% due 06/24/2009	159,000,000
Bank of America Corp., 0.160% due 08/18/2009	149,999,333	Swedbank, 0.990% due 12/03/2008	155,000,000
Automatic Data Processing, 1.000% due 07/14/2009	149,999,292	CBA (Delaware) Finance, 0.200% due 08/04/2009	155,000,000
Bank of America Corp., 1.000% due 07/31/2009	149,999,292	UBS Finance Delaware LLC, 1.000% due 06/18/2009	150,000,000
Bank of America Corp., 1.000% due 08/13/2009	149,999,292	Automatic Data Processing, 1.000% due 07/14/2009	150,000,000
Bank of America Corp., 0.170% due 08/14/2009	149,999,292	Toyota Motor Credit Corp., 1.000% due 07/14/2009	150,000,000
Toyota Motor Credit Corp., 1.000% due 07/14/2009	149,999,292	Toyota Motor Credit Corp., 1.000% due 07/15/2009	150,000,000
Bank of America Corp., 1.000% due 07/17/2009	149,999,250	Bank of America Corp., 1.000% due 07/17/2009	150,000,000
Automatic Data Processing, 1.000% due 08/19/2009	149,999,250	Bank of America Corp., 1.000% due 07/31/2009	150,000,000
Bank of America Corp., 1.000% due 08/19/2009	149,999,208	UBS Finance Delaware LLC, 0.200% due 08/06/2009	150,000,000
UBS Finance Delaware LLC, 1.000% due 06/18/2009	149,998,958	Bank of America Corp., 1.000% due 08/13/2009	150,000,000
U.S. Treasury Bill, 1.000% due 10/01/2009	149,947,500	Bank of America Corp., 0.170% due 08/14/2009	150,000,000
Swedbank, 1.000% due 01/08/2009	145,066,597	Automatic Data Processing, 1.000% due 08/26/2009	150,000,000

Statements of Portfolio Changes for the year ended 31 August 2009 (unaudited) - (continued)

WESTERN ASSET STERLING LIQUIDITY FUND[^]

MAJOR PURCHASES	COST (£)	MAJOR SALES	PROCEEDS (£)
Royal Bank of Scotland, 3.433% due 09/15/2009	20,000,000	Banco Bilbao Vizcaya NY, 5.555% due 09/22/2008	25,000,000
UK Treasury Bill, 0.470% due 08/24/2009	19,979,418	Deutsche Bank AG London, 3.343% due 03/14/2011	20,000,000
UK Treasury Bill, zero coupon due 08/24/2009	19,979,418	UBS AG Stamford, 1.560% due 07/14/2009	20,000,000
Nordea Bank A/S, 5.323% due 11/21/2008	19,769,333	BNP Paribas NY, 1.050% due 07/13/2009	20,000,000
Landesbank Hessen, 5.481% due 12/15/2008	19,689,398	Rabobank Netherlands, 0.760% due 05/06/2009	20,000,000
Banque Generale du Luxembourg, 5.461% due 12/23/2008	19,669,302	Credit Industriel et Commercial, 5.790% due 10/28/2008	20,000,000
Erste Bank Oest Sparkassen, 5.499% due 12/23/2008	19,666,992	Banco Sabadell, 5.537% due 09/24/2008	20,000,000
DZ Bank AG London, 4.930% due 12/23/2008	19,666,992	St. George Bank, 5.530% due 09/26/2008	20,000,000
Dexia Financial Products, 5.460% due 12/23/2008	19,666,319	Depfa Bank PLC, 5.860% due 10/24/2008	20,000,000
Ulster Bank Finance PLC, 5.522% due 12/30/2008	19,644,145	Norddeutsche Landesbank, 5.640% due 10/24/2008	20,000,000
Banque Federative du Credit Mutuel, 0.478% due 08/28/2009	11,995,059	BCP Finance Bank Ltd., 5.611% due 10/24/2008	20,000,000
Nordea Bank Finland, 1.650% due 02/23/2009	10,001,654	Macquarie Bank Ltd., 5.598% due 10/27/2008	20,000,000
KFW, 2.281% due 02/16/2011	10,000,000	Banco Popular Espanol, 5.527% due 11/28/2008	20,000,000
Societe Generale, 0.630% due 09/29/2009	10,000,000	Nordea Bank A/S, 5.323% due 11/21/2008	20,000,000
ING Bank, 0.700% due 03/30/2009	10,000,000	Landesbank Hessen, 5.481% due 12/15/2008	20,000,000
Norddeutsche Landesbank, 0.542% due 03/27/2009	9,997,891	Dexia Financial Products, 5.460% due 12/23/2008	20,000,000
Unicredito Italiano, 1.200% due 01/28/2009	9,997,699	Erste Bank Oest Sparkassen, 5.499% due 12/23/2008	20,000,000
Sanpaolo IMI International Debt S.A., 0.641% due 03/23/2009	9,997,508	Ulster Bank Finance PLC, 5.522% due 12/30/2008	20,000,000
Unicredito Italiano, 0.720% due 03/27/2009	9,997,239	Banque Generale du Luxembourg, 5.461% due 12/23/2008	20,000,000
Landesbank Baden-Wurttemberg, 0.789% due 03/23/2009	9,996,932	DZ Bank AG London, 4.930% due 12/23/2008	20,000,000
Sanpaolo IMI International Debt S.A., 0.850% due 02/25/2009	9,996,741	Caisse Nationale des Caisses d'Epargne et de Prevoyance, 6.030% due 12/22/2008	20,000,000
DNB Nor Bank, 0.887% due 02/26/2009	9,996,549	GE Capital UK Funding, 6.108% due 09/19/2008	20,000,000
NRW Bank, 1.050% due 03/05/2009	9,995,974	Commerzbank AG, 5.571% due 10/31/2008	20,000,000
Unicredito Italiano, 1.100% due 02/25/2009	9,995,783	Fortis Lux Finance S.A., 5.474% due 11/24/2008	20,000,000
Barclays Bank, 0.739% due 03/30/2009	9,995,687	Landesbank Baden-Wurttemberg, 5.537% due 11/26/2008	19,966,358
ENI Coordination Center, 1.000% due 03/06/2009	9,995,618	Stadshypotek AB, 5.680% due 11/28/2008	19,964,201

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

Statements of Portfolio Changes for the year ended 31 August 2009 (unaudited) - (continued)

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

MAJOR PURCHASES - (continued)	COST (£)	MAJOR SALES - (continued)	PROCEEDS (£)
Banco Bilbao, 1.500% due 01/21/2009	9,994,250	Santander, 5.628% due 10/27/2008	19,876,115
Unicredito Italiano, 1.550% due 01/21/2009	9,994,058	Caixa Geral de Depositos S.A., 5.331% due 10/29/2008	19,874,085
Landesbank Baden-Wurttemberg, 1.577% due 01/21/2009	9,993,867	Stadshypotek AB, 5.590% due 11/13/2008	19,844,506
BNP Paribas, 0.375% due 10/21/2009	9,993,653	Royal Bank of Scotland PLC, 5.577% due 11/28/2008	19,773,499
ING Bank, 0.640% due 06/29/2009	9,988,971	Toronto Dominion Bank NY, 2.550% due 05/21/2009	15,000,000
BCP Finance Ltd., 1.960% due 01/29/2009	9,988,564	Clydesdale Bank, 5.670% due 09/29/2008	15,000,000
Calyon Australia, 0.670% due 06/29/2009	9,988,463	ING Bank, 5.800% due 09/29/2008	15,000,000
Stadshypotek AB, 1.625% due 02/12/2009	9,986,006	Unicredito Italiano, 5.626% due 09/25/2008	15,000,000
Nord Deutschland, 1.822% due 02/09/2009	9,983,807	Barclays Bank PLC, 5.538% due 09/15/2008	15,000,000
Banque Federative du Credit Mutuel, 1.102% due 07/22/2009	9,972,155	UBS AB, 5.690% due 09/22/2008	15,000,000
Bank of Scotland, 1.770% due 03/12/2009	9,970,989	Credit Agricole S.A., 1.130% due 07/20/2009	12,000,000
Unicredito Italiano, 1.200% due 08/11/2009	9,969,845	DNB Norbank ASA, 5.801% due 02/09/2009	11,408,461
Natixis, 1.956% due 03/12/2009	9,967,936		
UBS AG, 2.063% due 03/26/2009	9,958,176		
DNB Nor Bank ASA, 1.934% due 04/07/2009	9,951,660		
Commerzbank AG, 1.953% due 04/14/2009	9,950,091		
Banque Federative du Credit Mutuel, 2.075% due 04/07/2009	9,948,120		
Clydesdale Bank, 2.104% due 04/21/2009	9,939,221		
Banco Bilbao, 0.493% due 11/13/2009	8,988,672		
European Investment Bank, 2.293% due 08/06/2010	8,000,000		
Societe Generale, 0.414% due 10/21/2009	6,995,090		
Banque Federative du Credit Mutuel, 0.433% due 11/23/2009	6,992,077		
Pohjola Bank, 0.709% due 06/29/2009	6,991,312		
Calyon Australia, 0.532% due 10/09/2009	6,990,485		
Pohjola Bank, 0.783% due 09/25/2009	6,986,001		
ING Bank, 0.900% due 10/22/2009	6,984,156		
ING Bank, 0.935% due 10/07/2009	6,983,278		
Barclays Bank PLC, 1.082% due 09/29/2009	6,980,645		

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

Statements of Portfolio Changes for the year ended 31 August 2009 (unaudited) - (continued)

WESTERN ASSET EURO LIQUIDITY FUND[^]

MAJOR PURCHASES	COST (€)	MAJOR SALES	PROCEEDS (€)
Landesbank Baden-Wurttemberg, 4.608% due 10/28/2008	74,481,608	Ulster Bank Finance, 4.865% due 09/29/2008	99,874,325
UBS AG, 4.807% due 11/24/2008	74,188,746	Bankinter S.A., 4.798% due 09/26/2008	80,000,000
DZ Bank AG London, 4.930% due 12/23/2008	68,970,481	Banesto Financial, 4.800% due 09/26/2008	80,000,000
Toronto Dominion Bank, 2.526% due 09/10/2010	50,000,000	BCP Finance Bank, 2.445% due 10/27/2008	79,933,422
European Investment Bank, 1.878% due 09/06/2010	30,000,000	Norddeutsche Landesbank, 4.676% due 09/25/2008	79,862,415
Societe Generale, 1.950% due 01/22/2009	27,989,387	Sanpaolo IMI Bank, 4.830% due 10/23/2008	79,760,718
Danske Bank, 1.950% due 01/22/2009	27,989,387	Dexia Financial Products, 4.940% due 10/24/2008	79,755,748
Landesbank Baden-Wurttemberg, 2.220% due 02/20/2009	27,937,978	Commerzbank AG, 4.849% due 10/23/2008	79,674,110
Banque Federative du Credit Mutuel, 2.405% due 03/20/2009	27,880,794	Banco Bilbao Vizcaya London, 4.856% due 10/01/2008	74,963,641
Danske Bank, 1.000% due 02/12/2009	25,994,945	Pohjola Bank PLC, 4.713% due 09/22/2008	74,889,662
Norddeutsche Landesbank, 1.400% due 02/12/2009	25,992,924	Natixis, 4.871% due 10/01/2008	74,885,176
DNB Nor Bank, 1.100% due 02/19/2009	25,988,883	Santander International Debt S.A, 4.878% due 09/24/2008	74,880,482
Sanpaolo IMI International Debt S.A., 1.199% due 02/19/2009	25,987,872	Landesbank Baden-Wurttemberg, 4.608% due 10/28/2008	74,655,094
Royal Bank of Scotland, 1.199% due 02/26/2009	25,981,813	UBS AG, 4.807% due 11/24/2008	74,307,945
UBS AG, 2.088% due 01/27/2009	25,978,885	Banque Federative du Credit Mutuel, 4.231% due 01/06/2009	70,000,000
Unicredito Italiano, 2.150% due 01/27/2009	25,978,279	DZ Bank AG London, 4.930% due 12/23/2008	70,000,000
Natixis, 2.188% due 01/27/2009	25,977,876	Swedbank Hypotek AB, 4.958% due 09/15/2008	70,000,000
Bank of Scotland, 2.365% due 02/13/2009	25,947,046	GE Capital Euro Funding, 2.339% due 08/07/2009	70,000,000
BCP Finance Bank Ltd, 2.445% due 02/13/2009	25,945,263	Stadshypotek AB, 4.852% due 11/28/2008	69,806,442
Santander International Debt S.A., 2.480% due 03/13/2009	25,894,330	Landesbank Hessen, 4.840% due 11/28/2008	69,785,797
Stadshypotek AB, 2.663% due 04/09/2009	25,834,601	Westpac Banking Corp., 4.400% due 11/18/2008	69,512,735
NRW Bank, 1.209% due 03/20/2009	24,976,494	Unicredito Italiano London, 2.150% due 11/28/2008	69,374,760
Sanpaolo IMI International Debt S.A, 1.300% due 03/20/2009	24,974,748	Depfa Bank PLC, 4.000% due 11/26/2008	69,345,074
Dexia Credit Local, 2.199% due 01/28/2011	22,000,000	BNP Paribas, 5.113% due 01/25/2011	60,437,995
Calyon Australia, 0.360% due 10/19/2009	14,990,706	Societe Generale, 5.163% due 04/15/2009	60,000,000
Rabobank, 0.390% due 11/18/2009	14,985,065	Kommunalkredit Austria AG, 5.207% due 12/23/2008	60,000,000

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

Statements of Portfolio Changes for the year ended 31 August 2009 (unaudited) - (continued)

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

MAJOR PURCHASES - (continued)	COST (€)	MAJOR SALES - (continued)	PROCEEDS (€)
Societe Generale, 0.410% due 11/18/2009	14,984,300	Deutsche Bank, 4.486% due 02/14/2009	59,250,000
Spain Government Bond, 0.814% due 10/29/2012	11,980,560	Banco de Credito Local de Espana S.A., 4.116% due 02/24/2009	52,959,674
Societe Financement de l'Economie Francaise, 1.035% due 07/16/2012	11,000,000	Delphinus, 5.198% due 09/25/2008	48,500,000
Banco Bilbao, 0.400% due 10/14/2009	9,993,227	Bank of Nova Scotia, 4.968% due 11/02/2008	45,289,710
Banque Federative du Credit Mutuel, 0.420% due 11/16/2009	9,989,045	Barclays Bank PLC, 5.435% due 01/16/2009	42,329,356
		Banco Sabadell S.A., 4.908% due 11/28/2008	40,000,000
		Geldilux, 2.879% due 12/10/2012	39,000,000
		Danske Bank A/S, 4.958% due 03/13/2009	37,358,583
		Allied Irish Banks PLC, 1.725% due 08/11/2009	37,000,000
		Danske Bank A/S, 4.966% due 10/06/2008	35,370,494
		Natixis, 5.491% due 01/05/2009	35,000,000

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Statements of Portfolio Changes for the year ended 31 August 2009 (unaudited) - (continued)

EURO LIQUIDITY PLUS FUND^

MAJOR PURCHASES	COST (€)	MAJOR SALES	PROCEEDS (€)
Toronto Dominion Bank, 5.759% due 09/10/2010	700,000	GE Capital European Funding, 5.013% due 03/01/2010	1,369,299
		Credit Suisse London, 5.945% due 04/08/2010	991,323
		Westpac Securities NZ Ltd., 4.213% due 11/18/2008	991,035
		Caja de Ahorros y Monte de Piedad de Madrid, 5.055% due 03/23/2010	981,830
		BPE Financiaciones S.A., 5.014% due 05/22/2009	795,936
		Banco de Credito Local de Espana S.A., 5.003% due 02/24/2009	700,452
		Bank of Nova Scotia, 5.560% due 07/23/2010	690,209
		Toronto Dominion Bank, 5.759% due 09/10/2010	686,118
		Citigroup, Inc., 5.111% due 06/03/2011	659,320
		Bank of America Corp., 5.110% due 09/09/2009	632,076
		DNB Bank, 6.039% due 04/07/2011	628,340
		Credit Agricole S.A., 5.943% due 04/15/2010	591,198
		Credit Agricole S.A., 4.975% due 09/30/2008	505,459
		Santander International Debt S.A., 5.008% due 10/21/2009	501,884
		Intesa Sanpaolo Bank Ireland plc, 5.018% due 11/09/2009	496,045
		ANZ International, 4.231% due 11/19/2008	495,904
		Nordea Bank plc, 1.000% due 11/18/2008	495,050
		Abbey National Treasury Services plc, 5.664% due 08/26/2010	494,091
		Auto ABS Compartments, 5.073% due 07/25/2017	491,289
		National Australia Bank, 5.129% due 06/24/2010	484,578
		ING Bank NV, 5.714% due 08/22/2011	480,694
		Igloo Finance plc, 5.566% due 12/26/2008	476,623
		GE Capital Euro Funding, 5.661% due 09/06/2011	448,460
		Platinum Ac1 Ltd., 5.120% due 06/09/2011	442,702
		Bank of America Corp., 5.088% due 11/20/2008	401,687
		Svenska Handelsbanken, 5.413% due 05/21/2010	394,080
		ING Bank N.V., 5.513% due 05/21/2010	388,840

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Statements of Portfolio Changes for the year ended 31 August 2009 (unaudited) - (continued)**EURO LIQUIDITY PLUS FUND^ - (continued)****MAJOR SALES - (continued)****PROCEEDS (€)**

Superannuation Members Home Loans Global Fund, 5.048% due 11/09/2039	384,267
Deutsche Bank AG, 5.166% due 02/14/2011	250,421
Merrill Lynch S.A., 5.319% due 09/29/2010	213,165
JPMorgan Chase & Co., 4.625% due 01/31/2011	201,124

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Statements of Portfolio Changes for the year ended 31 August 2009 (unaudited) - (continued)

WESTERN ASSET EURO GOVERNMENT LIQUIDITY FUND[^]

MAJOR PURCHASES	COST (€)	MAJOR SALES	PROCEEDS (€)
Belgium Treasury Bill, zero coupon due 08/13/2009	16,473,121	Belgium Treasury Bill, zero coupon due 08/13/2009	16,492,929
Dutch Treasury Certificate, zero coupon due 10/16/2009	13,984,646	German Treasury Bill, zero coupon due 07/29/2009	11,299,632
German Treasury Bill, zero coupon due 07/29/2009	11,281,508	French Treasury Bill, zero coupon due 05/12/2009	10,500,000
French Treasury Bill, zero coupon due 05/12/2009	10,497,284	French Treasury Bill, zero coupon due 07/23/2009	8,796,148
French Treasury Bill, zero coupon due 10/15/2009	8,992,060	Dutch Treasury Certificate, zero coupon due 05/15/2009	8,750,000
French Treasury Bill, zero coupon due 07/23/2009	8,789,011	Dutch Treasury Certificate, zero coupon due 06/12/2009	7,748,717
Dutch Treasury Certificate, zero coupon due 05/15/2009	8,747,656	French Treasury Bill, zero coupon due 07/30/2009	7,500,000
Dutch Treasury Certificate, zero coupon due 06/12/2009	7,747,499	German Treasury Bill, zero coupon due 07/15/2009	5,997,061
French Treasury Bill, zero coupon due 07/30/2009	7,476,549	Dutch Treasury Certificate, zero coupon due 08/14/2009	5,000,000
German Treasury Bill, zero coupon due 09/30/2009	5,997,376	French Treasury Bill, zero coupon due 08/20/2009	5,000,000
German Treasury Bill, zero coupon due 07/15/2009	5,996,968	Dutch Treasury Certificate, zero coupon due 07/31/2009	4,999,874
French Treasury Bill, zero coupon due 09/24/2009	4,998,639	Dutch Treasury Certificate, zero coupon due 05/29/2009	4,999,200
French Treasury Bill, zero coupon due 09/10/2009	4,998,134	German Treasury Bill, zero coupon due 06/17/2009	4,900,000
Dutch Treasury Certificate, zero coupon due 05/29/2009	4,996,720	French Treasury Bill, zero coupon due 06/18/2009	3,998,989
Dutch Treasury Certificate, zero coupon due 08/14/2009	4,994,066	French Treasury Bill, zero coupon due 08/13/2009	3,699,813
French Treasury Bill, zero coupon due 08/20/2009	4,993,592	French Treasury Bill, zero coupon due 08/13/2009	3,500,000
German Treasury Bill, zero coupon due 12/09/2009	4,993,333	Dutch Treasury Certificate, zero coupon due 06/30/2009	2,999,350
Dutch Treasury Certificate, zero coupon due 07/31/2009	4,992,761	French Treasury Bill, zero coupon due 10/15/2009	999,302
German Treasury Bill, zero coupon due 06/17/2009	4,881,694		
Dutch Treasury Certificate, zero coupon due 10/30/2009	4,735,084		
French Treasury Bill, zero coupon due 10/08/2009	3,998,497		
French Treasury Bill, zero coupon due 06/18/2009	3,996,900		
German Treasury Bill, zero coupon due 04/28/2010	3,980,334		
French Treasury Bill, zero coupon due 08/13/2009	3,699,584		
French Treasury Bill, zero coupon due 08/13/2009	3,499,653		
Dutch Treasury Certificate, zero coupon due 06/30/2009	2,997,721		
Dutch Treasury Certificate, zero coupon due 11/13/2009	1,998,436		

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