

# Western Asset Liquidity Funds plc

(A company with variable share capital and limited liability established as an umbrella fund with segregated liability between sub-funds)



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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:	Brian Collins – Ireland (Independent) Joseph Keane – Ireland (Independent) Fionnuala Doris – Ireland (Independent) (appointed on 23 March 2017) Joseph LaRocque – USA Jane Trust – USA Joseph Carrier – USA (appointed on 18 November 2016)
Secretary:	Bradwell Limited Ten Earlsfort Terrace Dublin 2 Ireland
Registered Office:	Riverside Two Sir John Rogerson’s Quay Grand Canal Dock, Dublin 2 Ireland
Administrator and Transfer Agent:	BNY Mellon Fund Services (Ireland) Designated Activity Company One Dockland Central Guild Street IFSC Dublin 1 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
Depository	BNY Mellon Trust Company (Ireland) Limited One Dockland Central Guild Street IFSC Dublin 1 Ireland
Irish Counsel:	Arthur Cox Ten Earlsfort Terrace Dublin 2 Ireland
Independent Auditors:	PricewaterhouseCoopers Chartered Accountants and Registered Auditors One Spencer Dock North Wall Quay Dublin 1 Ireland
Master Distributor:	Legg Mason Investor Services, LLC 100 International Drive Baltimore Maryland 21202 - 1099 USA

General Information – (continued)

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Distributors:	Western Asset Management Company Limited 10 Exchange Square Primrose Street London EC2A 2EN United Kingdom  Legg Mason Investments (Europe) Limited 201 Bishopsgate London EC2M 3AB United Kingdom
Shareholder Servicing Agent:	Western Asset Management Company Limited 10 Exchange Square Primrose Street London EC2A 2EN United Kingdom
German Information Agent:	Legg Mason Investments (Europe) Limited FBC Frankfurter Buro-Center 18th Floor Mainzer Landstrasse 46 60325 Frankfurt Germany
Luxembourg Paying Agent:	Citibank International plc (Luxembourg Branch) 31, Z.A. Bourmicht L-8070 Bertrange Grand Duchy of Luxembourg

**Distributor Status (relevant to United Kingdom (“U.K.”) Shareholders only)**

UK shareholders can identify which share classes of the funds (the “Funds”) of Western Asset Liquidity Funds plc (the “Company”) have been accepted into the UK reporting fund regime, by checking the HM Revenue and Customs’ Reporting Fund list at the website <http://www.hmrc.gov.uk/collective/cis-centre.htm>. This list is updated on a monthly basis by the HM Revenue and Customs.

**Investment Manager's Reports – for the year ended 31 August 2017**

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**WESTERN ASSET US DOLLAR LIQUIDITY FUND (the "Fund")****Market Review**

The pace of US economic activity fluctuated during the 12 months ended 31 August 2017. Looking back, the US Department of Commerce reported that third quarter 2016 US gross domestic product ("GDP") growth was +2.8%. GDP growth then decelerated to +1.8% during the fourth quarter of 2016 and +1.2% for the first quarter of 2017, respectively. Finally, the US Department of Commerce's second estimate for second quarter 2017 GDP growth was +3.0%.

Short-term yields moved higher over the reporting period as the Federal Reserve Board ("Fed") raised their targeted federal funds rate three times. At the end of the period, the targeted range stood at 1.00% – 1.25%. The Fed's actions were in response to the consistently solid, though not extremely robust, pace of US economic growth. The strengths of the labor markets were certainly supportive of the Fed's moves, as the unemployment rate fell to 4.4%, from 4.9% at the beginning of the period. The absence of any significant upwards inflation pressure was a discouraging element for the Fed, and may have restrained the US central bank from raising rates at a more aggressive pace over the period.

Three-month LIBOR rose by 48 basis points over the reporting period. During the first half of the reporting period, there was a significant uptick in LIBOR rates in response to the implementation of money market fund reform, as institutional investors shifted from prime money market funds to Treasury and government money market funds. In the second half of the period, LIBOR normalised rapidly, as a broad spectrum of investors took advantage of the technically-driven rise in money market rates.

**Portfolio Review**

A cautious maturity stance was maintained during the period as the Fed continued to shift towards a less accommodative policy stance. Floating rate securities were favored when buying securities with maturities greater than six months. The portfolio remained extremely liquid, and the credit quality of the holdings remained strong.

Over the year ended 31 August 2017, Western Asset US Dollar Liquidity Fund returned 1.06% (gross) versus 0.66% for the benchmark.

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These views are 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 Investment Manager as a whole. The Investment Manager may from time to time elect to decrease or increase the total annual expenses of any class of shares by waiving or increasing the investment management fee payable to it by the Company. 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 as of 31 August 2017 are subject to change. Please refer to page 10 for a list and percentage breakdown of Western Asset US Dollar Liquidity Fund holdings.

*Please note that investment in a money market fund is not in the nature of a deposit in a bank account and is neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any other government agency in any other country. Although a money market fund seeks to preserve the value of your investment at \$1.00/£1.00/€1.00 per share for non-accumulating shares, it is possible to lose money by investing in such a fund.*

*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.*

**Western Asset Management Company**

September 2017

## Directors' Report

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The Directors present their annual report together with the audited financial statements for the year ended 31 August 2017 of Western Asset Liquidity Funds plc (the "Company").

### Statement of Directors' Responsibilities

The Directors are responsible for preparing the directors' report and the financial statements in accordance with Irish law.

Irish company law requires the Directors to prepare financial statements for each financial year that give a true and fair view of the Company's assets, liabilities and financial position as at the end of the financial year and of the profit or loss of the Company for the financial year. The Directors have prepared the financial statements in accordance with the accounting standards generally accepted in Ireland, including Financial Reporting Standard ("FRS") 102: "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102").

Under Irish company law, the Directors shall not approve the financial statements unless they are satisfied that they give a true and fair view of the Company's assets, liabilities and financial position as at the end of the financial year and the profit or loss of the Company for the financial year.

In preparing these 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;
- state whether the financial statements have been prepared in accordance with applicable accounting standards and identify the standards in question, subject to any material departures from those standards being disclosed and explained in the notes to the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for ensuring that adequate accounting records are kept that are sufficient to:

- correctly record and explain the transactions of the Company;
- enable, at any time, the assets, liabilities, financial position and profit or loss of the Company to be determined with reasonable accuracy; and
- enable the Directors to ensure that the financial statements comply with the requirements of the Companies Act 2014, as amended, and enable those financial statements to be audited.

To achieve this, the Directors have appointed BNY Mellon Fund Services (Ireland) Designated Activity Company (the "Administrator") to maintain the accounting records located in Ireland and perform additional administrative duties.

The Directors are also responsible for safeguarding the assets of the Company. In fulfilment of this responsibility, they have appointed BNY Mellon Trust Company (Ireland) Limited (the "Depositary") to safekeep the Company's assets in accordance with the constitution of the Company. In addition, the Directors are responsible for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the financial statements of the Company included on the website of Legg Mason affiliates that distribute the Funds. Legislation in Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### Principal Activities and Review of the Business

The Company manages the Fund to achieve the stated objectives of maintaining capital value while seeking to produce a return in line with money market rates. The performance review is included in the Investment Manager's Reports on page 4.

### Significant Events

Details of significant events during the year are disclosed in Note 16 to the financial statements.

### Results for the year

The Statement of Financial Position as at 31 August 2017 is on page 12. The results for the year ended 31 August 2017 are set out in the Statement of Comprehensive Income on page 14.

Class D, Class S and Class WA (Distributing) shares 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 shares carry no right to any dividend. The net investment income and realised gains attributable to Class C shares shall be retained by such class within the Fund.

Total dividend distributions to holders of shares (the "Redeemable Participating Shares") for the years ended 31 August 2017 and 31 August 2016 are disclosed in the Statement of Comprehensive Income.

### Risk Management objectives and policies

Information in relation to certain of the Company's risk management objectives and policies are included in the notes to the financial statements.

### Future Developments

The Company will continue its policy of investing directly or indirectly in a wide range of high quality US Dollar money market securities and short term debt instruments, which comply with the criteria for money market instruments set out in Central Bank UCITS Regulations in Western Asset US Dollar Liquidity Fund with the aim of maintaining capital value while seeking to produce a return to investors in line with money market rates.

Directors’ Report – (continued)

Directors

The names of the persons who are currently Directors or who served as a Director at any time during the year are set out below.

Brian Collins – Ireland (Independent)  
Joseph Keane – Ireland (Independent)  
Fionnuala Doris – Ireland (Independent) (appointed on 23 March 2017)  
Joseph LaRocque – USA  
Jane Trust – USA  
Joseph Carrier – USA (appointed on 18 November 2016)

Directors and their Interests

None of the Directors had a beneficial interest in the shares of the Company at any time during the year. In accordance with the articles of association of the Company (the “Articles of Association”) the Directors are not required to retire by rotation.

Fair Value Directive

It is the opinion of the Board 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 is outlined in Note 14 to these financial statements.

Subsequent Events

Details of changes subsequent to the statement of financial position date are disclosed in Note 17 to the financial statements.

Corporate Governance Statement

The Board has assessed all measures included in the voluntary Corporate Governance Code for Collective Investment Schemes and Management Companies as published by Irish Funds (formerly the Irish Funds Industry Association) in December 2011 (the “Irish Funds Code”). The Board has adopted all corporate governance practices and procedures in the Irish Funds Code.

Director’s Compliance Statement

It is the policy of the Company to comply with its relevant obligations (as defined in the Companies Act 2014, as amended). As required by Section 225(2) of the Companies Act 2014, as amended, the Directors acknowledge that they are responsible for securing the Company’s compliance with the relevant obligations. The Directors have drawn up a compliance policy statement as defined in Section 225(3)(a) of the Companies Act 2014, as amended and a compliance policy which refers to the arrangements and structures that are in place and which are, in the Directors’ opinion, designed to secure material compliance with the Company’s relevant obligations. In discharging their responsibilities under Section 225, the Directors relied upon, among other things, the services provided, advice and/or representations from third parties whom the Directors believe have the requisite knowledge and experience in order to secure material compliance with the Company’s relevant obligations.

Establishment of an Audit Committee

The Company has not established an audit committee. Given the size, and internal organisation of the Company, the nature, scope and complexity of the Company’s activities and the existing processes and procedures adopted by the Company, the Board does not consider that an audit committee is required for the purposes of Section 167 of the Companies Act 2014, as amended.

Relevant Audit Information

So far as the Directors are aware, there is no relevant audit information of which the Company’s auditors are unaware and the Directors have taken all the steps that ought to have been taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company’s auditors are aware of that information.

Connected Parties

Regulation 41(1) of the Central Bank (Supervision and Enforcement Act 2013 (Section 48(1)(1)) (Undertakings for Collective Investment in Transferable Securities) Regulations 2015 (as amended) (the “Central Bank UCITS Regulations”) states that a “responsible person shall ensure that any transaction between a UCITS and a connected person is (a) conducted at arm’s length; and (b) in the best interests of the unit-holders of the UCITS”.

As required under Regulation 78(4) of the Central Bank UCITS Regulations, the Board is satisfied that (a) there are in place arrangements evidenced by written procedures, to ensure that the obligations that are prescribed by Regulation 41(1) are applied to all transactions with connected parties: and (b) all transactions with connected parties that were entered into during the year complied with the obligations that are prescribed by Regulation 41(1).

Independent Auditors

The independent auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office in accordance with section 383(2) of the Companies Act 2014, as amended.

On behalf of the Board

Brian Collins  
Director  
  
15 December 2017

Joseph Keane  
Director

Depository’s Report for the year ended 31 August 2017

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Report from the Depository to the Shareholders Dated 15 December 2017

For the Period from 1 September 2016 to 31 August 2017 (the “Period”)

BNY Mellon Trust Company (Ireland) Limited (the “**Depository**” “**us**”, “**we**”, or “**our**”), has enquired into the conduct of Western Asset Liquidity Funds Plc (the “Company”) for the Period, in its capacity as depository to the Company.

This report including the opinion has been prepared for and solely for the shareholders in the Company, in accordance with our role as depository to the Company 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 Depository

Our duties and responsibilities are outlined in Regulation 34 of the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 (S.I. No 352 of 2011), as amended (the “Regulations”).

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 constitutional documentation and the Regulations. It is the overall responsibility of the Company to comply with these provisions. If the Company has not been so managed, we as depository must state in what respects it has not been so managed and the steps which we have taken in respect thereof.

Basis of Depository Opinion

The Depository conducts such reviews as it, in its reasonable opinion, considers necessary in order to comply with its duties 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 Period, in all material respects:

- (i) in accordance with the limitations imposed on the investment and borrowing powers of the Company by the constitutional documentation and by the Regulations; and
- (ii) otherwise in accordance with the provisions of the constitutional documentation and the Regulations.

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For and on Behalf of BNY Mellon Trust Company (Ireland) Limited  
One Dockland Central,  
Guild Street,  
IFSC,  
Dublin 1



## Independent Auditors' Report to the Members of Western Asset Liquidity Funds plc

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### Report on the audit of the financial statements

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#### Opinion

In our opinion, Western Asset Liquidity Funds plc's financial statements:

- give a true and fair view of the Company's and sub-funds' assets, liabilities and financial position as at 31 August 2017 and of their results for the year then ended;
- have been properly prepared in accordance with Generally Accepted Accounting Practice in Ireland (accounting standards issued by the Financial Reporting Council of the UK, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and promulgated by the Institute of Chartered Accountants in Ireland and Irish law); and
- have been properly prepared in accordance with the requirements of the Companies Act 2014 and the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 (as amended).

We have audited the financial statements, included within the Annual Report, which comprise:

- the statement of financial position as at 31 August 2017;
- the statement of comprehensive income for the year then ended;
- the statement of changes in net assets attributable to holders of redeemable participating shares for the year then ended;
- the portfolio of investments for each of the sub-funds as at 31 August 2017 and
- the notes to the financial statements for the Company and for each of the sub-funds, which include a description of the significant accounting policies.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) ("ISAs (Ireland)") and applicable law. Our responsibilities under ISAs (Ireland) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, which includes IAASA's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (Ireland) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's and the sub-funds ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's or sub-funds ability to continue as going concerns.

#### Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the Companies Act 2014 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (Ireland) and the Companies Act 2014 requires us to also report certain opinions and matters as described below.

- In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 August 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.
- Based on our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report.

Independent Auditors’ Report to the Members of Western Asset Liquidity Funds plc – (continued)

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors’ Responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company’s and sub-funds ability to continue as going concerns, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors’ responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Irish Auditing and Accounting Supervisory Authority website at: [https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description\\_of\\_auditors\\_responsibilities\\_for\\_audit.pdf](https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf).

This description forms part of our auditors’ report.

Use of this report

This report, including the opinions, has been prepared for and only for the company’s members as a body in accordance with section 391 of the Companies Act 2014 and for no other purpose. We do not, in giving these opinions, 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.

Other required reporting

Companies Act 2014 opinions on other matters

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the company were sufficient to permit the financial statements to be readily and properly audited.
- The financial statements are in agreement with the accounting records.

Companies Act 2014 exception reporting

Directors’ remuneration and transactions

Under the Companies Act 2014 we are required to report to you if, in our opinion, the disclosures of directors’ remuneration and transactions specified by sections 305 to 312 of that Act have not been made. We have no exceptions to report arising from this responsibility.

Pat Candon

for and on behalf of PricewaterhouseCoopers  
Chartered Accountants and Statutory Audit Firm  
Dublin

15 December 2017

Portfolio of Investments as at 31 August 2017

WESTERN ASSET US DOLLAR LIQUIDITY FUND

Nominal	Issuer*	Coupon Rate/Yield %	Due On	Valuation \$	% of Net Assets
CERTIFICATES OF DEPOSIT – 33.06% (31 August 2016: 33.75%)					
21,250,000	Bank of America	1.390	1-Feb-18	21,250,000	1.03%
25,000,000	Bank of Montreal (Chicago)	1.400	7-Feb-18	25,000,000	1.22
5,000,000	Bank of Nova Scotia (Houston)	1.400	23-Jan-18	5,000,000	0.24
35,000,000	BNP Paribas (NY)	1.450	16-Jan-18	35,000,000	1.70
25,000,000	*** Canadian Imperial Bank (NY)	1.450	25-May-18	25,000,000	1.22
2,400,000	Citibank	1.180	12-Sep-17	2,399,982	0.12
4,000,000	Citibank	1.400	24-Jan-18	4,000,000	0.19
20,000,000	*** Cooperatieve Rabobank (NY)	1.570	11-Sep-17	20,000,000	0.97
20,000,000	*** Credit Suisse (NY)	2.030	12-Sep-17	20,004,961	0.97
5,000,000	Credit Suisse (NY)	1.690	28-Sep-17	5,001,651	0.24
15,000,000	Credit Suisse (NY)	1.470	27-Oct-17	15,000,000	0.73
30,000,000	*** Credit Suisse (NY)	1.460	7-Nov-17	30,000,131	1.46
15,000,000	KBC Bank (NY)	1.300	24-Oct-17	15,000,000	0.73
30,000,000	KBC Bank (NY)	1.300	7-Nov-17	29,999,615	1.46
30,000,000	Landesbank Hessen (NY)	1.170	6-Sep-17	30,000,000	1.46
10,000,000	*** Loyds TSB Bank Plc (NY)	1.410	14-May-18	10,000,000	0.49
15,000,000	Mitsubishi UFJ Trust and Banking (NY)	1.420	13-Oct-17	15,000,000	0.73
15,000,000	*** Mizuho Bank (NY)	1.560	7-Nov-17	15,000,000	0.73
25,000,000	Mizuho Bank (NY)	1.350	17-Nov-17	25,000,000	1.22
13,600,000	*** Mizuho Bank (NY)	1.420	2-Feb-18	13,600,000	0.66
15,000,000	*** Mizuho Bank (NY)	1.410	15-Feb-18	15,000,000	0.73
15,000,000	*** Norinchukin Bank (NY)	1.500	10-Oct-17	15,000,000	0.73
15,000,000	*** Norinchukin Bank (NY)	1.420	28-Feb-18	15,000,000	0.73
35,000,000	Oversea-Chinese Banking Corp	1.320	27-Nov-17	35,000,000	1.70
15,000,000	*** Royal Bank of Canada (NY)	1.410	20-Sep-17	15,000,000	0.73
24,920,000	*** Royal Bank of Canada (NY)	1.360	12-Jun-18	24,920,000	1.21
20,000,000	*** Standard Chartered Bank (NY)	1.550	27-Sep-17	20,000,000	0.97
20,000,000	*** Standard Chartered Bank (NY)	1.420	10-Jan-18	20,000,000	0.97
19,000,000	*** Sumitomo Mitsui Banking Corp	1.400	31-Jan-18	19,000,000	0.92
15,000,000	Sumitomo Mitsui Banking Corp	1.400	9-Feb-18	15,000,000	0.73
10,000,000	*** Sumitomo Mitsui Trust Bank (NY)	1.570	7-Sep-17	10,000,000	0.49
35,000,000	*** Sumitomo Mitsui Trust Bank (NY)	1.390	29-Jan-18	35,000,000	1.70
5,000,000	*** Sumitomo Mitsui Trust Bank (NY)	1.430	6-Feb-18	5,000,236	0.25
15,000,000	Svenska Handelsbanken (NY)	1.320	11-Dec-17	15,000,209	0.73
24,750,000	*** Toronto-Dominion Bank (NY)	1.700	1-Sep-17	24,750,000	1.20
35,000,000	*** UBS AG	1.340	20-Oct-17	35,000,000	1.70
				679,926,785	33.06
COMMERCIAL PAPER – 31.67% (31 August 2016: 43.81%)					
10,000,000	** ABN AMRO Funding USA LLC	1.400	6-Sep-17	9,998,056	0.49
20,000,000	ABN AMRO Funding USA LLC	1.420	5-Feb-18	19,876,144	0.97
15,000,000	** ABN AMRO Funding USA LLC	1.620	8-Mar-18	14,873,100	0.72
20,000,000	** ANZ National International Ltd (London)	1.390	24-Jan-18	19,888,028	0.97
15,000,000	** Bank Nederlandse Gemeenten	1.170	5-Sep-17	14,998,050	0.73
16,000,000	** Bank Nederlandse Gemeenten	1.300	31-Oct-17	15,965,333	0.77
11,000,000	** Bank of Montreal (Chicago)	1.250	4-Oct-17	10,987,396	0.53
25,000,000	** Bank of Nova Scotia	1.300	12-Oct-17	24,962,986	1.21
35,000,000	** Bank of Nova Scotia	1.380	16-Jan-18	34,816,192	1.69
20,000,000	** Caisse des Depots et Consignations	1.300	20-Oct-17	19,964,611	0.97
45,000,000	** Caisse des Depots et Consignations	1.300	1-Nov-17	44,900,875	2.18
30,000,000	** DBS Bank Ltd	1.190	5-Sep-17	29,996,033	1.46
15,000,000	** ING U.S. Funding LLC	1.220	22-Sep-17	14,989,325	0.73
20,000,000	** ING U.S. Funding LLC	1.410	1-Feb-18	19,880,150	0.97
20,000,000	** JPMorgan Securities LLC	1.400	18-Dec-17	19,916,000	0.97
25,000,000	** JPMorgan Securities LLC	1.430	1-Feb-18	24,848,062	1.21
25,000,000	** Mitsubishi UFJ Trust and Banking (NY)	1.370	21-Nov-17	24,922,938	1.21
10,000,000	** NRW Bank	1.240	22-Sep-17	9,992,767	0.49
65,000,000	** NRW Bank	1.270	29-Sep-17	64,935,794	3.16
35,000,000	** Ontario Teachers Finance Trust	1.390	2-Feb-18	34,791,886	1.69
35,000,000	** Oversea-Chinese Banking Corp	1.300	21-Sep-17	34,974,722	1.70
15,000,000	** Societe Generale	1.320	31-Oct-17	14,967,000	0.73
15,000,000	** Standard Chartered Bank	1.410	14-Dec-17	14,938,900	0.73
60,000,000	** State of the Netherlands	1.190	6-Sep-17	59,990,083	2.92
13,250,000	** Swedbank AB	1.300	13-Nov-17	13,215,072	0.64
3,000,000	** Toyota Motor Credit Corp	1.400	15-Mar-18	2,977,250	0.14
25,000,000	** United Overseas Bank Ltd	1.310	10-Oct-17	24,964,521	1.21
10,000,000	** United Overseas Bank Ltd	1.310	12-Oct-17	9,985,081	0.48
				651,516,355	31.67
VARIABLE RATE NOTES – 2.67% (31 August 2016: 2.07%)					
15,000,000	*** ANZ National International Ltd (London)	1.440	29-May-18	15,000,000	0.73
25,000,000	*** BNZ International Funding Ltd	1.430	7-Sep-17	25,000,000	1.22
15,000,000	*** Commonwealth Bank of Australia	1.650	1-Sep-17	15,000,000	0.72
				55,000,000	2.67
TOTAL TRANSFERABLE SECURITIES				1,386,443,140	67.40

The accompanying notes are an integral part of the Financial Statements.

Portfolio of Investments as at 31 August 2017

WESTERN ASSET US DOLLAR LIQUIDITY FUND – (continued)

Nominal	Issuer*	Coupon Rate/Yield %	Due On	Valuation \$	% of Net Assets
TIME DEPOSITS – 32.68% (31 August 2016: 20.41%)†					
77,000,000	Abbey National Treasury Services Plc	1.070	1-Sep-17	77,000,000	3.74%
35,000,000	ABN AMRO Bank N.V.	1.150	1-Sep-17	35,000,000	1.70
42,000,000	BNP Paribas (Cayman Islands)	1.070	1-Sep-17	42,000,000	2.04
77,000,000	Credit Agricole CIB (NY)	1.070	1-Sep-17	77,000,000	3.74
77,000,000	DNB Bank	1.070	1-Sep-17	77,000,000	3.74
10,000,000	Mizuho Bank Ltd (NY)	1.170	1-Sep-17	10,000,000	0.49
77,000,000	Natixis	1.070	1-Sep-17	77,000,000	3.74
73,150,000	Nordea Bank AB (NY)	1.070	1-Sep-17	73,150,000	3.56
77,000,000	Skandinaviska Enskilda Banken	1.070	1-Sep-17	77,000,000	3.75
62,000,000	Svenska Handelsbank (Cayman Islands)	1.070	1-Sep-17	62,000,000	3.02
65,000,000	Swedbank (NY)	1.070	1-Sep-17	65,000,000	3.16
				672,150,000	32.68
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS				2,058,593,140	100.08
Liabilities in Excess of Other Assets (31 August 2016: (0.04)%)				(1,562,328)	(0.08)
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE PARTICIPATING SHARES				2,057,030,812	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 2017.					
*** Reflects variable rate security as at 31 August 2017.					
† Deposits with credit institutions.					
ANALYSIS OF TOTAL ASSETS					% of Total Assets
Transferable securities admitted to an official exchange listing or traded on a regulated market					67.31%
Deposits with credit institutions					32.63
Other assets					0.06
TOTAL ASSETS					100.00%

The accompanying notes are an integral part of the Financial Statements.

Statement of Financial Position as at 31 August 2017

	Notes	Western Asset US Dollar Liquidity Fund \$	Western Asset Sterling Liquidity Fund £	Western Asset Euro Liquidity Fund €	Total \$
<b>Current Assets</b>					
Cash	3	930	97,405	128,553	279,927
Financial Assets at Fair Value through Profit or Loss					
– Transferable Securities		1,386,443,140	–	–	1,386,443,140
– Deposits with Credit Institutions		672,150,000	–	–	672,150,000
Interest Receivable		1,079,853	–	–	1,079,853
Prepayments		406	–	–	406
<b>Total Current Assets</b>		<b>2,059,674,329</b>	<b>97,405</b>	<b>128,553</b>	<b>2,059,953,326</b>
<b>Current Liabilities</b>					
Dividend Distributions Payable to Holders of Redeemable Participating Shares	5	2,042,751	–	–	2,042,751
Investment Manager’s Fee Payable	7,8	21,790	–	–	21,790
Administration, Transfer Agent Services and Depositary Fees Payable	7	42,489	–	–	42,489
Distribution Fee Payable	7,8	75,683	–	–	75,683
Accrued Expenses		460,804	97,405	128,553	739,801
<b>Total Liabilities (Excluding Net Assets Attributable to Holders of Redeemable Participating Shares)</b>		<b>2,643,517</b>	<b>97,405</b>	<b>128,553</b>	<b>2,922,514</b>
<b>Total Net Assets Attributable to Holders of Redeemable Participating Shares</b>		<b>2,057,030,812</b>	<b>–</b>	<b>–</b>	<b>2,057,030,812</b>
<b>Number of Redeemable Participating Shares in issue</b>					
Class D	6	1,781,444,972			
Class S	6	50,001,021			
Class C	6	1,042			
Class WA (Distributing)	6	225,411,117			
<b>Net Asset Value per Share</b>					
Class D	13	\$1.0000			
Class S	13	\$1.0000			
Class C	13	\$135.3517			
Class WA (Distributing)	13	\$1.0000			

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

On behalf of the Board

Brian Collins  
Director

Joseph Keane  
Director

15 December 2017

The accompanying notes are an integral part of the Financial Statements.

Statement of Financial Position as at 31 August 2016

	Notes	Western Asset US Dollar Liquidity Fund \$	Western Asset Sterling Liquidity Fund £	Western Asset Euro Liquidity Fund €	Total \$*
<b>Current Assets</b>					
Cash	3	923	99,721	131,486	277,977
Financial Assets at Fair Value through Profit or Loss					
– Transferable Securities		1,705,265,487	–	–	1,705,265,487
– Deposits with Credit Institutions		437,202,000	–	–	437,202,000
Interest Receivable		1,104,027	–	–	1,104,027
Prepayments		50,553	–	–	50,553
<b>Total Current Assets</b>		<b>2,143,622,990</b>	<b>99,721</b>	<b>131,486</b>	<b>2,143,900,044</b>
<b>Current Liabilities</b>					
Dividend Distributions Payable to Holders of Redeemable Participating Shares	5	1,042,821	–	–	1,042,821
Investment Manager's Fee Payable	7,8	68,426	–	–	68,426
Administration, Transfer Agent Services and Depositary Fees Payable	7	233,548	–	–	233,548
Distribution Fee Payable	7,8	84,297	–	–	84,297
Accrued Expenses		479,039	99,721	131,486	756,093
<b>Total Liabilities (Excluding Net Assets Attributable to Holders of Redeemable Participating Shares)</b>		<b>1,908,131</b>	<b>99,721</b>	<b>131,486</b>	<b>2,185,185</b>
<b>Total Net Assets Attributable to Holders of Redeemable Participating Shares</b>		<b>2,141,714,859</b>	<b>–</b>	<b>–</b>	<b>2,141,714,859</b>
<b>Number of Redeemable Participating Shares in issue</b>					
Class D	6	1,920,171,347			
Class S	6	1,012			
Class C	6	1,042			
Class WA (Distributing)	6	221,398,774			
<b>Net Asset Value per Share</b>					
Class D	13	\$1.0000			
Class S	13	\$1.0000			
Class C	13	\$134.0773			
Class WA (Distributing)	13	\$1.0000			

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

Statement of Comprehensive Income for the year ended 31 August 2017

	Notes	Western Asset US Dollar Liquidity Fund \$	Western Asset Sterling Liquidity Fund £	Western Asset Euro Liquidity Fund €	Total \$
<b>Income</b>					
Investment Income		19,542,592	—	—	19,542,592
<b>Net Gain on Financial Assets at Fair Value through Profit or Loss</b>					
Realised Gain on Investments		70,166	—	—	70,166
<b>Total Net Gain on Financial Assets at Fair Value through Profit or Loss</b>		<b>70,166</b>	<b>—</b>	<b>—</b>	<b>70,166</b>
<b>Net Investment Income</b>		<b>19,612,758</b>	<b>—</b>	<b>—</b>	<b>19,612,758</b>
<b>Expenditure</b>					
Distribution Fee	7,8	(815,755)	—	—	(815,755)
Investment Manager Fee	7,8	(1,796,840)	—	—	(1,796,840)
Administration, Transfer Agent Services and Depositary Fees	7	(467,369)	—	—	(467,369)
Audit Fees	7	(38,532)	—	—	(38,532)
Sub-Custodian Fees		(242,715)	—	—	(242,715)
Other Expenses		(193,679)	—	—	(193,679)
<b>Total Operating Expenses before Finance Costs</b>		<b>(3,554,890)</b>	<b>—</b>	<b>—</b>	<b>(3,554,890)</b>
Less: Expenses reimbursed and Fees waived by Investment Manager	7,8	1,644,516	—	—	1,644,516
<b>Net Expenses before Finance Costs</b>		<b>(1,910,374)</b>	<b>—</b>	<b>—</b>	<b>(1,910,374)</b>
<b>Net Income from Operations before Finance Costs</b>		<b>17,702,384</b>	<b>—</b>	<b>—</b>	<b>17,702,384</b>
<b>Finance Costs</b>					
Dividend Distribution to Holders of Redeemable Participating Shares	5	(17,672,408)	—	—	(17,672,408)
<b>Total Finance Costs</b>		<b>(17,672,408)</b>	<b>—</b>	<b>—</b>	<b>(17,672,408)</b>
<b>Increase in Net Assets Attributable to Holders of Redeemable Participating Shares</b>		<b>29,976</b>	<b>—</b>	<b>—</b>	<b>29,976</b>

Gains and losses are solely from continuing operations. There were no other gains or losses other than those dealt with in the Statement of Comprehensive Income.

The accompanying notes are an integral part of the Financial Statements.

Statement of Comprehensive Income for the year ended 31 August 2016

	Notes	Western Asset US Dollar Liquidity Fund \$	Western Asset Sterling Liquidity Fund £	Western Asset Euro Liquidity Fund €	Total \$
<b>Income</b>					
Investment Income		11,259,476	–	–	11,259,476
<b>Net Gain on Financial Assets at Fair Value through Profit or Loss</b>					
Realised Gain on Investments		74,703	–	–	74,703
<b>Total Net Gain on Financial Assets at Fair Value through Profit or Loss</b>					
		<b>74,703</b>	<b>–</b>	<b>–</b>	<b>74,703</b>
<b>Net Investment Income</b>		<b>11,334,179</b>	<b>–</b>	<b>–</b>	<b>11,334,179</b>
<b>Expenditure</b>					
Distribution Fee	7,8	(1,049,933)	–	–	(1,049,933)
Investment Manager Fee	7,8	(2,312,678)	–	–	(2,312,678)
Administration, Transfer Agent Services and Depositary Fees	7	(567,155)	–	–	(567,155)
Audit Fees	7	(19,046)	–	–	(19,046)
Sub-Custodian Fees		(161,451)	–	–	(161,451)
Other Expenses		(259,421)	–	–	(259,421)
<b>Total Operating Expenses before Finance Costs</b>		<b>(4,369,684)</b>	<b>–</b>	<b>–</b>	<b>(4,369,684)</b>
Less: Expenses reimbursed and Fees waived by Investment Manager	7,8	1,987,620	–	–	1,987,620
<b>Net Expenses before Finance Costs</b>		<b>(2,382,064)</b>	<b>–</b>	<b>–</b>	<b>(2,382,064)</b>
<b>Net Income from Operations before Finance Costs</b>		<b>8,952,115</b>	<b>–</b>	<b>–</b>	<b>8,952,115</b>
<b>Finance Costs</b>					
Dividend Distribution to Holders of Redeemable Participating Shares	5	(8,692,211)	–	–	(8,692,211)
<b>Total Finance Costs</b>		<b>(8,692,211)</b>	<b>–</b>	<b>–</b>	<b>(8,692,211)</b>
<b>Increase in Net Assets Attributable to Holders of Redeemable Participating Shares</b>		<b>259,904</b>	<b>–</b>	<b>–</b>	<b>259,904</b>

Gains and losses are solely from continuing operations. There were no other gains or losses other than those dealt with in the Statement of Comprehensive Income.

The accompanying notes are an integral part of the Financial Statements.



Statement of Changes in Net Assets Attributable to Holders of Redeemable Participating Shares  
for the year ended 31 August 2017

	Notes	Western Asset US Dollar Liquidity Fund \$	Western Asset Sterling Liquidity Fund £	Western Asset Euro Liquidity Fund €	Total \$
<b>Net Assets Attributable to Holders of Redeemable Participating Shares</b>					
Beginning of year		2,141,714,859	—	—	2,141,714,859
<b>Net Increase in Net Assets Attributable to Holders of Redeemable Participating Shares</b>		<b>29,976</b>	<b>—</b>	<b>—</b>	<b>29,976</b>
<b>REDEEMABLE PARTICIPATING SHARE TRANSACTIONS</b>					
Proceeds from Redeemable Participating Shares Subscribed	6	18,659,172,228	—	—	18,659,172,228
Net Asset Value of Redeemable Participating Shares Issued for Reinvestment of Distributions	6	12,617,019	—	—	12,617,019
Cost of Redeemable Participating Shares Redeemed	6	(18,756,503,270)	—	—	(18,756,503,270)
<b>Decrease in Net Assets from Redeemable Participating Share transactions</b>		<b>(84,714,023)</b>	<b>—</b>	<b>—</b>	<b>(84,714,023)</b>
Decrease in Net Assets Attributable to Holders of Redeemable Participating Shares		(84,684,047)	—	—	(84,684,047)
<b>End of year</b>	13	<b>2,057,030,812</b>	<b>—</b>	<b>—</b>	<b>2,057,030,812</b>

The accompanying notes are an integral part of the Financial Statements.

Statement of Changes in Net Assets Attributable to Holders of Redeemable Participating Shares  
for the year ended 31 August 2016

	Notes	Western Asset US Dollar Liquidity Fund \$	Western Asset Sterling Liquidity Fund £	Western Asset Euro Liquidity Fund €	Total \$
<b>Net Assets Attributable to Holders of Redeemable Participating Shares</b>					
Beginning of year		2,318,323,993	–	–	2,318,323,993
<b>Net Increase in Net Assets Attributable to Holders of Redeemable Participating Shares</b>		<b>259,904</b>	<b>–</b>	<b>–</b>	<b>259,904</b>
<b>REDEEMABLE PARTICIPATING SHARE TRANSACTIONS</b>					
Proceeds from Redeemable Participating Shares Subscribed	6	20,850,050,041	–	–	20,850,050,041
Net Asset Value of Redeemable Participating Shares Issued for Reinvestment of Distributions	6	5,825,126	–	–	5,825,126
Cost of Redeemable Participating Shares Redeemed	6	(21,032,744,205)	–	–	(21,032,744,205)
<b>Decrease in Net Assets from Redeemable Participating Share Transactions</b>		<b>(176,869,038)</b>	<b>–</b>	<b>–</b>	<b>(176,869,038)</b>
Decrease in Net Assets Attributable to Holders of Redeemable Participating Shares		(176,609,134)	–	–	(176,609,134)
Currency Translation	4	–	–	–	–
<b>End of year</b>	13	<b>2,141,714,859</b>	<b>–</b>	<b>–</b>	<b>2,141,714,859</b>

The accompanying notes are an integral part of the Financial Statements.

## Notes to Financial Statements

### 1. Organisation

Western Asset Liquidity Funds plc (the “Company”), was incorporated in Ireland on 19 February 1996 under registration number 244870 and is an investment company with variable capital and is authorised by the Central Bank pursuant to the Central Bank UCITS Regulations. The Company commenced trading on 19 April 1996.

The Company is constituted as an umbrella fund insofar as the share capital of the Company (the “Shares” or “Redeemable Participating Shares”) is 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. The liability of each Fund is segregated. As such, as a matter of Irish Law, the assets of each of the Funds will not be exposed to the liabilities of the other Funds. Notwithstanding the foregoing there can be no assurance that should an action be brought against the Company in the court of another jurisdiction, the segregated nature of the Funds would necessarily be upheld.

At 31 August 2017 one active Fund is in existence, Western Asset US Dollar Liquidity Fund. Effective 31 July 2015, Western Asset Sterling Liquidity Fund and Western Asset Euro Liquidity Fund ceased trading.

### 2. Investment Objectives

The investment objective of Western Asset US Dollar Liquidity Fund is to maintain capital value while seeking to produce a return to investors in line with money market rates. There is no guarantee that the capital will be maintained.

### 3. Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below:

#### (a) Statement of Compliance

The financial statements for the year ended 31 August 2017 have been prepared in accordance with the accounting standards generally accepted in Ireland, including Financial Reporting Standard (“FRS”) 102: “The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland” (“FRS 102”) and Irish statute comprising the Companies Act 2014, as amended, the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 (as amended) (the “UCITS Regulations”) and the Central Bank UCITS Regulations.

#### Basis of Preparation

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

The format and certain wordings of the financial statements have been adapted from those contained in Irish statute so that, in the opinion of the Directors, they more appropriately reflect the nature of the Company’s business as an investment fund.

The Company has availed of the exemption available to open-ended investment funds under Section 7 “Statement of Cash Flows” of FRS 102 not to prepare a cash flow statement on the basis that substantially all of the Company’s investments are highly liquid and carried at fair value, and the Company provides a statement of changes in net assets attributable to redeemable participating shareholders.

#### (b) 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.

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 not at fair value through profit or loss include amounts receivable for redeemable participating shares sold, receivable for investments sold, interest receivable and receivables from the Investment Manager.

Financial liabilities that are not at fair value through profit or loss include amounts payable for redeemable participating 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 Statement of Comprehensive Income in the year in which they arise.

## Notes to Financial Statements – (continued)

### 3. Significant Accounting Policies – (continued)

#### (b) Financial Instruments (continued)

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 Statement of Financial Position date without any deduction for future selling costs. In the absence of quoted market prices at the Statement of Financial Position date, the fair value of certain money market instruments is valued at amortised cost which is considered to be a proxy for market value.

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 Statement of Financial Position 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. The Company may invest in securities with contractual cash flows, such as asset backed securities and certificates of deposit, including securities backed by 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.

#### (c) 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 Statement of Comprehensive Income.

#### (d) Income from Investments

Interest income and expenses are recognised in the Statement of Comprehensive Income for all debt instruments using the effective yield method. Negative yield interest relates to interest resulting from a negative effective interest rate on financial instruments.

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 2017 and 31 August 2016 all amounts were deemed to be recoverable.

#### (e) Expenses

Certain expenses are share class specific expenses and are charged directly to the share class. General Fund expenses are allocated to the various share classes on the basis of relative Net Asset Value.

#### (f) Net Asset Value

The Net Asset Value per Redeemable Participating Share of the Fund's share class is determined by dividing the Net Asset Value of the relevant class of share of the Fund by the total number of Redeemable Participating Shares outstanding in the relevant class of share of the Fund.

#### (g) Dividends and Distributions to Holders of Redeemable Participating Shares

For Class D, Class S and Class WA (Distributing) shares, dividends are declared daily and distributed monthly. Class C, Class P and Class WA (Accumulating) shares do not distribute dividends and any net investment income attributable to these shares will be retained by such class within the Fund and the Net Asset Value per Share will accordingly reflect such net investment income.

#### (h) Non-Base Currency Translation

Any non-base currency assets and liabilities of the Fund at 31 August 2017 and 31 August 2016 are translated into the base currency at the exchange rate ruling at the year end.

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

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

#### (i) Cash

Cash balances of the Funds are held with the Bank of New York Mellon as sub-custodian of BNY Mellon Trust Company (Ireland) Limited, the Depositary.

#### (j) Transaction Costs

Transaction costs are costs incurred to acquire financial assets or financial liabilities at fair value through profit or loss. Transaction costs may include fees and commissions paid to agents, advisors, brokers and dealers. Transaction costs, when incurred, are immediately recognised in the Statement of Comprehensive Income. For the years ended 31 August 2017 and 31 August 2016, the Company did not incur transaction costs other than sub-custodian transactions which are included in sub-custodian fees in the Statement of Comprehensive Income.

Notes to Financial Statements – (continued)

4. Exchange Rates

Items included in each 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 currency of each Fund is as follows:

Western Asset US Dollar Liquidity Fund – US Dollars (\$)

Western Asset Sterling Liquidity Fund – Pound Sterling (£)

Western Asset Euro Liquidity Fund – Euro (€)

For the years ended 31 August 2017 and 31 August 2016, the following exchange rates were used to translate the Statements of Financial Position of the non-US denominated Funds in arriving at the total US Dollar value for the Company in the financial statements:

	31 August 2017	31 August 2016
£/\$	1.2931	1.3097
€/£	1.1905	1.1138

5. Dividends and Distributions Payable

	Western Asset US Dollar Liquidity Fund	
	For the year ended	
	31 August 2017 \$	31 August 2016 \$
Dividend distributions payable at beginning of year – Class D	929,765	276,971
Dividend distributions payable at beginning of year – Class S	1	403
Dividend distributions payable at beginning of year – Class WA (Distributing)	113,055	19,342
Total dividend distributions payable at beginning of year	1,042,821	296,716
Dividend distributions to holders of Redeemable Participating Shares accrued during the year – Class D	15,355,655	7,821,635
Dividend distributions to holders of Redeemable Participating Shares accrued during the year – Class S	25,211	1,198
Dividend distributions to holders of Redeemable Participating Shares accrued during the year – Class WA (Distributing)	2,291,542	869,378
Total dividend distributions to holders of Redeemable Participating Shares accrued during the year	17,672,408	8,692,211
Dividend distributions paid in the year – Class D	14,524,659	7,168,841
Dividend distributions paid in the year – Class S	9	1,600
Dividend distributions paid in the year – Class WA (Distributing)	2,147,810	775,665
Total dividend distributions paid in the year	16,672,478	7,946,106
Dividend distributions payable at end of year – Class D	1,760,761	929,765
Dividend distributions payable at end of year – Class S	25,203	1
Dividend distributions payable at end of year – Class WA (Distributing)	256,787	113,055
Total dividend distributions payable at end of year	2,042,751	1,042,821

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

Notes to Financial Statements – (continued)

6. 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, WA (Accumulating) and WA (Distributing) shares. The subscriber shares do not form part of the Net Asset Value of the Company.

Details of share transactions for the years ended 31 August 2017 and 31 August 2016 were as follows:

	Western Asset US Dollar Liquidity Fund	
	For the year ended	
	31 August 2017	31 August 2016
Class D – Balance beginning of year	1,920,171,347	2,190,848,629
Redeemable Participating Shares subscribed	17,887,351,582	19,950,433,244
Redeemable Participating Shares reinvested	12,419,985	5,741,443
Redeemable Participating Shares redeemed	(18,038,497,942)	(20,226,851,969)
Balance end of year	1,781,444,972	1,920,171,347
Class S - Balance beginning of year	1,012	37,719,231
Redeemable Participating Shares subscribed	50,000,000	141,952,779
Redeemable Participating Shares reinvested	9	1,601
Redeemable Participating Shares redeemed	–	(179,672,599)
Balance end of year	50,001,021	1,012
Class C – Balance beginning of year	1,042	1,042
Redeemable Participating Shares subscribed	–	–
Redeemable Participating Shares reinvested	–	–
Redeemable Participating Shares redeemed	–	–
Balance end of year	1,042	1,042
Class WA (Distributing) – Balance beginning of year	221,398,774	89,872,314
Redeemable Participating Shares subscribed	721,820,646	757,664,015
Redeemable Participating Shares reinvested	197,025	82,082
Redeemable Participating Shares redeemed	(718,005,328)	(626,219,637)
Balance end of year	225,411,117	221,398,774

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 liability of each Fund is segregated. As such, as a matter of Irish Law, the assets of each of the Funds will not be exposed to the liabilities of the other Funds. Notwithstanding the foregoing there can be no assurance that should an action be brought against the Company in the court of another jurisdiction, the segregated nature of the Funds would necessarily be upheld. 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.

7. Operating Expenses

BNY Mellon Fund Services (Ireland) Designated Activity Company (“BNY Mellon”) acts as Transfer Agent and Administrator of the Company. BNY Mellon Trust Company (Ireland) Limited (“BNY Mellon Bank”) acts as Depositary to the Company. BNY Mellon and BNY Mellon Bank receive from the Fund a combined monthly fee calculated at an annual rate not to exceed 0.0251875% of the daily net asset value of the Fund. This fee encompasses BNY Mellon’s and BNY Mellon Bank’s combined services as transfer agent, administrator and depositary, excluding out-of-pocket expenses.

The Fund’s operating expenses are based on a percentage of the average Net Asset Value of the specific share class on a daily basis. Operating expenses are inclusive of portfolio management, depositary, administration, distribution and all other services and out-of-pocket expenses associated with the Fund’s operation. General Fund expenses are allocated on the basis of relative Net Asset Value.

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

Notes to Financial Statements – (continued)

7. Operating Expenses – (continued)

The total operating expenses borne by the Shares of the Fund 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 (Accumulating) and Class WA (Distributing) Shares, of the average daily Net Asset Value of the Fund on an annual basis.

There has been no reimbursement of expenses by the Investment Manager for the year ended 31 August 2017. For the year ended 31 August 2016, the Investment Manager has agreed to reimburse Western Asset US Dollar Liquidity Fund for expenses amounting to \$192, which exceeded the expense limitations as determined by the Directors.

Audit Fees

Fees paid to the auditors, PwC of €24,900 (excluding VAT) (31 August 2016: €24,900), in respect of the financial year, relate to statutory audit of the financial statements of the Company. Fees of €23,000 (excluding VAT) were paid in respect of non-audit services (31 August 2016: €17,360). Fees of €950 were paid to the auditors in respect of the out-of-pocket expenses (31 August 2016: €1,075).

8. Related Party Transactions

For the year ended 31 August 2017 and 31 August 2016, Western Asset Management Company acted as Investment Manager to the Company. Fees charged for the years ended 31 August 2017 and 31 August 2016 and amounts payable at 31 August 2017 and 31 August 2016 in respect of these services are detailed below.

	Western Asset US Dollar Liquidity Fund	
	For the year ended	
	31 August 2017 \$	31 August 2016 \$
Investment Manager’s Fee charged	1,796,840	2,312,678
Less: Expenses reimbursed and Fees waived by Investment Manager	(1,644,516)	(1,987,620)
<b>Total net Investment Manager Fee charged</b>	<b>152,324</b>	<b>325,058</b>
Investment Manager’s Fee payable at year end	21,790	68,426
<b>Distribution Fee charged</b>	<b>815,755</b>	<b>1,049,933</b>
Distribution Fee payable at year end	75,683	84,297

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

Distribution fees are payable by the Fund 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 0.10% per annum of the Net Asset Value, with respect to Class S Shares;
- no compensation with respect to Class WA (Accumulating) and Class WA (Distributing) Shares.

The aggregate compensation and expenses shall be payable in monthly instalments, and shall be calculated at the end of each calendar month in respect of the Fund and each class by applying a daily distribution calculation based on the daily net assets of the Fund at the applicable rate. Legg Mason Investor Services, LLC will receive these fees only in respect of net assets of the Fund which are distributed or sold by Legg Mason Investor Services, LLC or its appointed distributors or any appointed sub-distributors or selling agents. The sum of such calculations shall be payable during the course of the next calendar month.

Joseph LaRocque, Jane Trust and Joseph Carrier are Directors of the Company and are also directors and/or executives of certain affiliates of the Investment Manager.

Other Related Party Transactions

Significant shareholders are defined as those shareholders that hold more than 20% of the issued share capital. There were no significant shareholders which exceeded the aggregate percentage ownership of 20% of the Fund as of the years ended 31 August 2017 and 31 August 2016.

The Board of Directors (the “Board”) is not aware of any transactions with related parties during the years ended 31 August 2017 and 31 August 2016 other than those disclosed in these financial statements.

9. Taxation

Under current Irish law and practice, the Company qualifies as an investment undertaking as defined in Section 739B of the Taxes Consolidation Act, 1997 (as amended). On that basis, the Company will not generally be liable to Irish 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.

Notes to Financial Statements – (continued)

9. Taxation – (continued)

No Irish tax will arise on the Company in respect of chargeable events in respect of:

- (i) a shareholder who is neither Irish resident nor ordinarily resident in Ireland for tax purposes, at the time of the chargeable event, provided an appropriate valid declaration is in place, or the Company has been authorised by Irish Revenue to make gross payments in the absence of appropriate declarations; and
- (ii) certain exempted Irish tax resident shareholders who have provided the Company with the necessary signed statutory declarations.

In addition, any transaction (which might otherwise be a chargeable event) in relation to shares held in a recognised clearing system as designated by order of the Irish Revenue Commissioners will not constitute a chargeable event.

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

10. Commitments and Contingent Liabilities

At the Statement of Financial Position date, there were no significant commitments or contingent liabilities.

11. Soft Commission Arrangements

As permitted under the Company’s prospectus, the Investment Manager for the Fund may use certain services which assist in the management of the Fund’s 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 Manager places business with these brokers including transactions relating to the Fund’s investments. No such arrangements were entered into for the Fund for the years ended 31 August 2017 and 31 August 2016.

12. Directors’ Remuneration

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

Directors’ fees accrued over the year ended 31 August 2017 were \$13,802 (31 August 2016: \$7,594).

Directors’ fees are not payable in respect of Joseph LaRocque, Jane Trust and Joseph Carrier who are employees of the Investment Manager or its affiliates.

13. Comparative Table – Net Asset Values Attributable to Holders of Redeemable Participating Shares

Fund		Year Ended	Currency	Total Net Asset Value	Net Asset Value Per Share
Western Asset US Dollar Liquidity Fund					
	– Class D	8/31/2017	\$	1,781,473,319	\$1.0000
	– Class S	8/31/2017	\$	50,001,021	\$1.0000
	– Class C	8/31/2017	\$	141,005	\$135.3517
	– Class WA (Distributing)	8/31/2017	\$	225,415,467	\$1.0000
	Total		\$	2,057,030,812	
	– Class D	8/31/2016	\$	1,920,174,963	\$1.0000
	– Class S	8/31/2016	\$	1,012	\$1.0000
	– Class C	8/31/2016	\$	139,678	\$134.0773
	– Class WA (Distributing)	8/31/2016	\$	221,399,206	\$1.0000
	Total		\$	2,141,714,859	
	– Class D	8/31/2015	\$	2,190,601,344	\$1.0000
	– Class S	8/31/2015	\$	37,711,206	\$1.0000
	– Class C	8/31/2015	\$	139,129	\$133.5507
	– Class WA (Distributing)	8/31/2015	\$	89,872,314	\$1.0000
	Total		\$	2,318,323,993	

14. Risk Exposure and Risk Management

The Company has appointed Western Asset Management Company as Investment Manager to the Fund and Western Asset Management Company has appointed Western Asset Management Company Limited as Sub-Investment Manager to the Fund.



## Notes to Financial Statements – (continued)

### 14. Risk Exposure and Risk Management – (continued)

The Investment Manager remains responsible to the Fund for the performance of its agreed upon obligations. The Investment Manager's responsibility is to manage the assets of the Fund in accordance with the Fund's stated investment objectives, investment policies and restrictions. Day-to-day investment and risk management of the financial instruments (including financial derivative instruments) held by Western Asset US Dollar Liquidity Fund is the responsibility of the Investment Manager. Day-to-day investment and risk management of the financial instruments (including financial derivative instruments) held by Western Asset Sterling Liquidity Fund and Western Asset Euro Liquidity Fund was the responsibility of the Sub-Investment Manager, although the Investment Manager maintained oversight responsibility for the Sub-Investment Manager.

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

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

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

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

Market price risk arises from the uncertainty about future price movements on financial instruments held. It represents the potential loss a Fund might suffer through holding market positions in the face of price movements. The maximum price risk resulting from the ownership of financial instruments is determined by the fair value of financial instruments. The Investment Manager and 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 the Fund's investment objectives as outlined in Note 2 to these financial statements. Risk is managed by the Investment Manager and the Sub-Investment Manager through careful selection of securities within specified limits and investment mandates.

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 Fund. The value of the investments of the 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 Fund.

Where the Fund holds investments in a currency other than that of the Fund's functional currency, the Investment Manager and the Sub-Investment Manager may manage foreign currency risk by hedging foreign currency back to the functional currency of the Fund. For the years ended 31 August 2017 and 31 August 2016, the Fund did not hold foreign currency.

Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Funds which hold fixed interest rate debt securities 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 yield interest income, the level of which will fluctuate according to the prevailing level of market interest rates.

The Fund invests 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 market 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 Investment Manager and the Sub-Investment Manager monitor the interest-rate environment and evaluate risks. Interest rate risk is assessed by monitoring maturities and duration relative to benchmarks. Duration is constrained to a predetermined target around the benchmark, 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.

Details of the Fund's weighted average yield and weighted average years to maturity on its fixed rate instruments are set out in Note 14.1(c) below.

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

#### 14.1 Market Risk

Due to the nature of money market funds, volatility based risk measures such as Value at Risk ("VaR") or relative VaR, may not correctly capture the underlying risks of a Fund's portfolio. Accordingly, in line with industry best practice during the year ended 31 August 2017, the Investment Manager used scenario based stress tests for the Fund, which the Investment Manager believes better portrays the risk characteristics of the Fund. The Commitment Approach has been used to calculate the global exposure.

Notes to Financial Statements – (continued)

14. Risk Exposure and Risk Management – (continued)

14.1 Market Risk – (continued)

Stress testing is the examination of the potential effects on a fund’s financial condition of a set of specific changes in risk factors, relating to exceptional but possible events. The Investment Manager takes a conservative approach by applying stress tests that are beyond the range of reasonably likely occurrences.

The Investment Manager expects (although there is no assurance) that if the Fund is able to withstand stress tests that are beyond the range of reasonably likely occurrences, that the Net Asset Value per share (or any particular class of share) of the Fund, would remain stable in the event of reasonable negative market events.

A scenario based stress test can be used to meet the sensitivity analysis requirement of FRS 102. FRS 102 does not prescribe a specific basis point movement or percentage movement for sensitivity analyses. Accordingly for the purposes of this annual report, the currency impact on Western Asset US Dollar Liquidity Fund of an instantaneous 25 basis points increase/(decrease) in short-term interest rates is shown:

	Western Asset US Dollar Liquidity Fund –/+ 25 bps
As at 31 August 2017	–/+\$370,333
As at 31 August 2016	–/+\$218,842

(a) Market Price Risk

The risk to the Fund from market price risk has been incorporated into the scenario based stress test (Note 14.1 above), therefore, a separate sensitivity analysis for market price risk is not presented.

(b) Foreign Currency Risk

The Net Asset Value per share of the Fund is calculated in US Dollars. The investments held by the Fund may be acquired, valued and disposed of in other currencies.

The risk to Western Asset US Dollar Liquidity Fund from foreign currency risk has been incorporated into the scenario based stress test (Note 14.1 above), therefore, a separate sensitivity analysis for foreign currency risk is not presented. As mentioned above for the years ended 31 August 2017 and 31 August 2016, the Fund did not hold foreign currency.

(c) Interest Rate Risk

As at 31 August 2017 and 31 August 2016 all of the cash held by Western Asset US Dollar Liquidity Fund, Western Asset Sterling Liquidity Fund and Western Asset Euro Liquidity Fund is held with the Depositary and have the potential to yield interest income, the level of which will fluctuate according to the prevailing level of market interest rates.

The risk to Western Asset US Dollar Liquidity Fund from interest rate risk has been incorporated into the scenario based stress test (Note 14.1 above), therefore, a separate sensitivity analysis for interest rate risk is not presented.

The split of fixed interest securities and variable interest securities as at 31 August 2017 is as follows:

Fund	Investments in Fixed Interest Securities	Investments in Variable Interest Securities	Investments in Non-Interest Bearing Securities
Western Asset US Dollar Liquidity Fund	\$1,601,317,812	457,275,328	–

The split of fixed interest securities and variable interest securities as at 31 August 2016 is as follows:

As at 31 August 2016:

Fund	Investments in Fixed Interest Securities	Investments in Variable Interest Securities	Investments in Non-Interest Bearing Securities
Western Asset US Dollar Liquidity Fund	\$1,863,017,487	279,450,000	–

The weighted average yield and weighted average years to maturity of Western Asset US Dollar Liquidity Fund on its fixed rate instruments as at 31 August 2017 are as follows:

Fund	Weighted Average Yield	Weighted Average Years to Maturity
Western Asset US Dollar Liquidity Fund	1.22%	0.12

Notes to Financial Statements – (continued)

14. Risk Exposure and Risk Management – (continued)

14.1 Market Risk – (continued)

(c) Interest Rate Risk – (continued)

The weighted average yield and weighted average years to maturity of Western Asset US Dollar Liquidity Fund on its fixed rate instruments as at 31 August 2016 are as follows:

Fund	Weighted Average Yield	Weighted Average Years to Maturity
Western Asset US Dollar Liquidity Fund	0.62%	0.09

Western Asset US Dollar Liquidity Fund invested in short term securities and the maturity profile for each of the Funds is set out in the tables below:

As at 31 August 2017:

Western Asset US Dollar Liquidity Fund	Fixed Rate Securities						Total
	Variable Interest	Less than 1 month	1–3 months	3 months – 1 year	1 year – No Stated maturity	Non-Interest Bearing	
	\$	\$	\$	\$	\$	\$	\$
<b>Assets</b>							
Financial assets at fair value through profit or loss	457,275,328	949,426,463	324,835,428	327,055,921	–	–	2,058,593,140
Other receivables and assets	930	–	–	–	–	1,080,259	1,081,189
<b>Total Assets</b>	<b>457,276,258</b>	<b>949,426,463</b>	<b>324,835,428</b>	<b>327,055,921</b>		<b>1,080,259</b>	<b>2,059,674,329</b>
<b>Liabilities</b>							
Accrued expenses and other liabilities	–	–	–	–	–	2,643,517	2,643,517
<b>Total Liabilities</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2,643,517</b>	<b>2,643,517</b>
<b>Total interest sensitivity gap</b>	<b>457,276,258</b>	<b>949,426,463</b>	<b>324,835,428</b>	<b>327,055,921</b>	<b>–</b>	<b>(1,563,258)</b>	<b>2,057,030,812</b>

Western Asset Sterling Liquidity Fund#	Fixed Rate Securities						Total
	Variable Interest	Less than 1 month	1–3 months	3 months – 1 year	1 year – No Stated maturity	Non-Interest Bearing	
	£	£	£	£	£	£	£
<b>Assets</b>							
Financial assets at fair value through profit or loss	–	–	–	–	–	–	–
Other receivables and assets	97,405	–	–	–	–	–	97,405
<b>Total Assets</b>	<b>97,405</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>97,405</b>
<b>Liabilities</b>							
Accrued expenses and other liabilities	–	–	–	–	–	97,405	97,405
<b>Total Liabilities</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>97,405</b>	<b>97,405</b>
<b>Total interest sensitivity gap</b>	<b>97,405</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(97,405)</b>	<b>–</b>

Western Asset Euro Liquidity Fund#	Fixed Rate Securities						Total
	Variable Interest	Less than 1 month	1–3 months	3 months – 1 year	1 year – No Stated maturity	Non-Interest Bearing	
	€	€	€	€	€	€	€
<b>Assets</b>							
Financial assets at fair value through profit or loss	–	–	–	–	–	–	–
Other receivables and assets	128,553	–	–	–	–	–	128,553
<b>Total Assets</b>	<b>128,553</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>128,553</b>
<b>Liabilities</b>							
Accrued expenses and other liabilities	–	–	–	–	–	128,553	128,553
<b>Total Liabilities</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>128,553</b>	<b>128,553</b>
<b>Total interest sensitivity gap</b>	<b>128,553</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(128,553)</b>	<b>–</b>

Notes to Financial Statements – (continued)

14. Risk Exposure and Risk Management – (continued)

14.1 Market Risk – (continued)

(c) Interest Rate Risk – (continued)

As at 31 August 2016:

Western Asset US Dollar Liquidity Fund	Variable Interest	Fixed Rate Securities				Non-Interest Bearing	Total
		Less than 1 month	1 – 3 months	3 months – 1 year	1 year – No Stated maturity		
	\$	\$	\$	\$	\$	\$	\$
<b>Assets</b>							
Financial assets at fair value through profit or loss	279,450,000	970,062,464	774,255,727	118,699,296	—	—	2,142,467,487
Other receivables and assets	923	—	—	—	—	1,154,580	1,155,503
<b>Total Assets</b>	<b>279,450,923</b>	<b>970,062,464</b>	<b>774,255,727</b>	<b>118,699,296</b>	<b>—</b>	<b>1,154,580</b>	<b>2,143,622,990</b>
<b>Liabilities</b>							
Accrued expenses and other liabilities	—	—	—	—	—	1,908,131	1,908,131
<b>Total Liabilities</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,908,131</b>	<b>1,908,131</b>
<b>Total interest sensitivity gap</b>	<b>279,450,923</b>	<b>970,062,464</b>	<b>774,255,727</b>	<b>118,699,296</b>	<b>—</b>	<b>(753,551)</b>	<b>2,141,714,859</b>

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	1 year – No Stated maturity		
	£	£	£	£	£	£	£
<b>Assets</b>							
Financial assets at fair value through profit or loss							
Other receivables and assets	99,721	—	—	—	—	—	99,721
<b>Total Assets</b>	<b>99,721</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>99,721</b>
<b>Liabilities</b>							
Accrued expenses and other liabilities	—	—	—	—	—	99,721	99,721
<b>Total Liabilities</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>99,721</b>	<b>99,721</b>
<b>Total interest sensitivity gap</b>	<b>99,721</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(99,721)</b>	<b>—</b>

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	1 year – No Stated maturity		
	€	€	€	€	€	€	€
<b>Assets</b>							
Financial assets at fair value through profit or loss							
Other receivables and assets	131,486	—	—	—	—	—	131,486
<b>Total Assets</b>	<b>131,486</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>131,486</b>
<b>Liabilities</b>							
Accrued expenses and other liabilities	—	—	—	—	—	131,486	131,486
<b>Total Liabilities</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>131,486</b>	<b>131,486</b>
<b>Total interest sensitivity gap</b>	<b>131,486</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(131,486)</b>	<b>—</b>

# Effective 31 July 2015 Western Asset Sterling Liquidity Fund and Western Asset Euro Liquidity Fund ceased trading.

(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. The Valuation Committee meets on a monthly basis to review all securities which are manually priced, broker 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.

The Fund may enter into derivative contracts. 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 held during the years ended 31 August 2017 or 31 August 2016 on the Fund.

## Notes to Financial Statements – (continued)

### 14. Risk Exposure and Risk Management – (continued)

#### 14.1 Market Risk – (continued)

##### (d) Other Price Risk – Fair Value of Financial Assets and Financial Liabilities – (continued)

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 Statement of Financial Position date. In the absence of quoted market prices at the Statement of Financial Position date, the fair value of certain money market instruments are valued at amortised cost which is considered to be a proxy for market value. When a “readily available market quotation” for a security is not available and the security is not being valued using the amortised cost method, the Company employs “fair value” methodologies to price securities. As a general principle, fair value is the price that the Fund might reasonably expect to receive upon a current sale. The fair valuation process requires the Valuation Committee to make a determination in good faith as to the value of a particular security or group of securities depending on the particular facts and circumstances involved.

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

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

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

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

As at 31 August 2017 and 31 August 2016, no securities were priced using single broker sources or fair valued by the Valuation Committee.

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

##### *Fair Value Estimation*

The Company has early adopted the Amendments to FRS 102, “Fair Value Hierarchy Disclosures”, which are effective for accounting periods beginning on or after 1 January 2017. These amendments require the Company to categorise its fair value measurements into the following levels consistent with the fair value hierarchy set out in International Financial Reporting Standards as adopted for use in the European Union. These amendments did not have any impact on the Fund’s financial position or performance.

Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3: Inputs are unobservable (ie for which market data is unavailable) for the asset or liability.

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

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

All financial assets at fair value through profit or loss are classified as level 2 as at 31 August 2017 and as at 31 August 2016.

## Notes to Financial Statements – (continued)

### 14. Risk Exposure and Risk Management – (continued)

#### 14.2 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 the 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 Investment Manager and Sub-Investment Manager minimise 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.

The 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 Fund will be subject to the possibility of the insolvency, bankruptcy or default of a counterparty with which the Fund trade such instruments, which could result in substantial losses to the Fund.

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 the Central Bank 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 the 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 the Fund may require the 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 the 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 Fund uses. The Fund may only trade with approved counterparties.

A list of approved counterparties is maintained. 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 Investment Manager and the Sub-Investment Manager may set portfolio limits and may invest 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 limits. 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. There were no CSA’s in place during the years ended 31 August 2017 or 31 August 2016.

The Investment Manager and Sub-Investment Manager review Fund’s holdings against minimum allowable credit ratings (as applicable). The Valuation Committee meets at least monthly and whenever the circumstances so require reviewing and deliberating on valuation concerns including credit. In addition, if holdings fall below minimum allowable credit ratings this would be reported to the Board as part of the monthly reporting.

Substantially all of the cash and securities held by the Fund are held via the Depositary. Bankruptcy or insolvency by the Depositary may cause the Fund’s rights with respect to the cash and securities held by the Depositary to be delayed or limited. The credit rating of the Depositary is highly rated by prominent rating agencies. If the credit quality or financial position of the Depositary deteriorates significantly the Investment Manager and the Sub-Investment Manager will move the cash and security holdings to another bank. This would require the determination of an appropriate course of action, including negotiation of a contract with another bank as well as, the setup of accounts.

As at 31 August 2017 there were no securities placed or received as collateral (31 August 2016: none).

Notes to Financial Statements – (continued)

14. Risk Exposure and Risk Management – (continued)

14.2 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 2017, 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 Statement of Financial Position.

The table below sets out a summary of the credit exposure as at 31 August 2017 and 31 August 2016 based on Standard & Poor’s (“S&P”) credit ratings of the debt securities held in the Western Asset US Dollar Liquidity Fund:

Rating	Western Asset US Dollar Liquidity Fund	
	2017	2016
A-1+	37.47%	36.71%
A-1	62.53%	63.29%
	<b>100.00%</b>	<b>100.00%</b>

14.3 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 Investment Manager and 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, the Fund may not borrow money except as follows:

- (a) the Fund may acquire foreign currency by means of a “back-to-back” loan; and
- (b) the Fund may borrow up to 10% of its Net Asset Value provided that such borrowing is on a temporary basis and not for leverage.

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 Investment Manager and the Sub-Investment Manager report to the Valuation Committee whether any holding of the Fund is illiquid. The Investment Manager and the Sub-Investment Manager determine 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 Investment Manager and the Sub-Investment Manager immediately notify the Administrator in order to ensure that the security is properly classified by the Fund.

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.



Notes to Financial Statements – (continued)

14. Risk Exposure and Risk Management – (continued)

14.3 Liquidity Risk – (continued)

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

31 August 2017	Western Asset US Dollar Liquidity Fund \$	Western Asset Sterling Liquidity Fund £	Western Asset Euro Liquidity Fund €	Total \$
Liabilities				
Less than 1 month				
Dividend Distributions Payable to Holders of Redeemable Participating Shares	2,042,751	—	—	2,042,751
Investment Manager’s Fee Payable	21,790	—	—	21,790
Administration, Transfer Agent Services and Depositary Fees Payable	42,489	—	—	42,489
Distribution Fee Payable	75,683	—	—	75,683
Accrued Expenses	132,280	—	—	132,280
Redeemable Participating Shares	2,057,030,812	—	—	2,057,030,812
3 months – 1 year				
Accrued Expenses	328,524	97,405	128,553	607,521
Total Financial Liabilities	2,059,674,329	97,405	128,553	2,059,953,326

31 August 2016	Western Asset US Dollar Liquidity Fund \$	Western Asset Sterling Liquidity Fund £	Western Asset Euro Liquidity Fund €	Total \$
Liabilities				
Less than 1 month				
Dividend Distributions Payable to Holders of Redeemable Participating Shares	1,042,821	—	—	1,042,821
Investment Manager's Fee Payable	68,426	—	—	68,426
Administration, Transfer Agent Services and Depositary Fees Payable	233,548	—	—	233,548
Distribution Fee Payable	84,297	—	—	84,297
Accrued Expenses	70,594	48,970	51,177	191,731
Redeemable Participating Shares	2,141,714,859	—	—	2,141,714,859
3 months – 1 year				
Accrued Expenses	408,445	50,751	80,309	564,362
Total Financial Liabilities	2,143,622,990	99,721	131,486	2,143,900,044

15. Efficient Portfolio Management

For the purpose of efficient portfolio management, the Fund may use the following techniques and instruments, including, without limitation: options, futures, currency swaps, interest rate swaps and repurchase agreements. The use of techniques and instruments by the Fund for the purposes of efficient portfolio management will be subject to the conditions and limits thereon laid down by the Central Bank of Ireland. During the year ended 31 August 2017 the Company has not utilised those investment techniques and instruments for the purpose of efficient portfolio management.

Repurchase Agreements

For the purposes of efficient portfolio management, the Company may purchase (and its Depositary 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.

As at 31 August 2017 and 31 August 2016 no repurchase agreements were held. There was no revenue earned from repurchase agreements during the years ended 31 August 2017 and 31 August 2016.

Transaction costs on the purchase and sale of repurchase agreements are included in the purchase and sale price of the investment. These costs cannot be practically or reliably gathered as they are embedded in the cost of the investment and cannot be separately verified or disclosed.



**Notes to Financial Statements – (continued)**

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**16. Significant Events**

On 24 October 2016, the Company convened an Annual General Meeting of shareholders who voted to adopt a new Memorandum and Articles of Association by unanimous consent.

Effective 18 November 2016, Joseph Carrier was appointed to the Board of Directors.

Effective 23 March 2017, Fionnuala Doris was appointed as an Independent Director to the Board of Directors.

On 31 May 2017, an updated Main Prospectus was issued by the Company and noted by the Central Bank. The most significant amendments included:

- removal of references to the EU Savings Directive;
- appointment of Jane Trust and Joseph Carrier to the Board of Directors;
- including disclosure for Securities Financing Transactions Regulation.

On 31 May 2017, an updated supplement to Main Prospectus was issued by the Company and noted by the Central Bank. The most significant amendments included:

- change to dealing day/ business day to provide additional clarity or flexibility as a consequence of the dates when US bond markets open and close;
- replacing Moody's by Fitch as one of the Fund's raters.

There have been no other material significant events impacting the financial statements of the Company for the year ended 31 August 2017.

**17. Subsequent Events**

There have been no material subsequent events since the year end to sign-off date of 15 December 2017 impacting the financial statements of the Company for the year ended 31 August 2017.

**18. Prior Period Comparatives**

The prior year comparatives for the Statement of Financial Position are as at 31 August 2016. The prior year comparatives for the Statement of Comprehensive Income and Statement of Changes in Net Assets Attributable to Holders of Redeemable Participating Shares are for the year ended 31 August 2016.

**19. Securities Financing Transactions Regulation**

The Company does not hold any investments that are subject to the disclosure requirements of the Securities Financing Transactions Regulation.

**20. Approval of the Financial Statements**

The Board approved the financial statements on 15 December 2017.

Statements of Portfolio Changes for the year ended 31 August 2017 (unaudited)

In accordance with the UCITS Regulations, 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 the 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 US DOLLAR LIQUIDITY FUND

LARGEST PURCHASES	COST (\$)	LARGEST SALES	PROCEEDS (\$)
Bank Nederlandse Gemeenten, 0.770% due 03/04/2017	106,445,773	Bank Nederlandse Gemeenten, 0.770% due 03/04/2017	106,490,165
United States Treasury Bill, 0.540% due 16/03/2017	99,732,056	United States Treasury Bill, 0.540% due 16/03/2017	99,761,683
Abbey National Treasury Services Plc, 0.910% due 29/03/2017	89,997,725	Abbey National Treasury Services Plc, 0.910% due 29/03/2017	90,000,000
Automatic Data Processing Inc, 0.380% due 22/09/2016	84,995,150	Automatic Data Processing Inc, 0.380% due 22/09/2016	85,000,000
Societe Generale, 0.410% due 03/11/2016	79,999,089	Abbey National Treasury Services Plc, 0.420% due 03/11/2016	80,000,000
Abbey National Treasury Services Plc, 0.420% due 03/11/2016	79,999,067	Abbey National Treasury Services Plc, 0.420% due 16/09/2016	80,000,000
Abbey National Treasury Services Plc, 0.420% due 16/09/2016	79,999,067	Abbey National Treasury Services Plc, 0.420% due 19/09/2016	80,000,000
Abbey National Treasury Services Plc, 0.420% due 20/09/2016	79,999,067	Abbey National Treasury Services Plc, 0.420% due 20/09/2016	80,000,000
Abbey National Treasury Services Plc, 0.420% due 21/09/2016	79,999,067	Abbey National Treasury Services Plc, 0.420% due 21/09/2016	80,000,000
Abbey National Treasury Services Plc, 0.420% due 22/09/2016	79,999,067	Abbey National Treasury Services Plc, 0.420% due 22/09/2016	80,000,000
Abbey National Treasury Services Plc, 0.420% due 23/09/2016	79,999,067	Abbey National Treasury Services Plc, 0.420% due 23/09/2016	80,000,000
Abbey National Treasury Services Plc, 0.420% due 19/09/2016	79,997,200	Automatic Data Processing Inc, 0.380% due 28/09/2016	80,000,000
Automatic Data Processing Inc, 0.380% due 28/09/2016	79,995,778	Bank Nederlandse Gemeenten, 0.430% due 22/09/2016	80,000,000
Bank Nederlandse Gemeenten, 0.430% due 22/09/2016	79,993,311	Societe Generale, 0.410% due 03/11/2016	80,000,000
Abbey National Treasury Services Plc, 0.910% due 11/04/2017	74,998,104	Abbey National Treasury Services Plc, 0.910% due 11/04/2017	75,000,000
Abbey National Treasury Services Plc, 0.670% due 03/03/2017	69,998,697	Royal Bank of Canada, 0.000% due 01/11/2016	75,000,000
Abbey National Treasury Services Plc, 0.670% due 14/03/2017	69,998,697	Societe Generale, 0.000% due 01/09/2016	75,000,000
Abbey National Treasury Services Plc, 0.910% due 07/06/2017	69,998,231	Abbey National Treasury Services Plc, 0.810% due 21/03/2017	70,000,000
Abbey National Treasury Services Plc, 0.910% due 08/06/2017	69,998,231	Abbey National Treasury Services Plc, 0.910% due 30/03/2017	70,000,000
Abbey National Treasury Services Plc, 0.910% due 12/05/2017	69,998,231	Abbey National Treasury Services Plc, 1.170% due 16/06/2017	70,000,000

Not covered by the Independent Auditors' Report

UCITS V Remuneration Policy (unaudited)

Western Asset Liquidity Funds Plc (the “Company”)

1. Remuneration Policy

1.1 Introduction and Purpose

The Company has adopted this remuneration policy in order to meet the requirements of the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011, as amended (the “UCITS Regulations”) in a way and to the extent that is appropriate to the Company’s size, internal organisation and the nature, scope and complexity of its activities. This policy has been adopted on an interim basis pending finalisation of ESMA’s Guidelines on Sound Remuneration Policies under the UCITS V Directive and AIFMD (the “ESMA Remuneration Guidelines”).

The purpose of this policy is to describe the remuneration principles and practices within the Company. Such principles and practices are designed:

- (a) to be consistent with, and promote, sound and effective risk management;
- (b) to be in line with the business strategy, objectives, values and interests of the Company;
- (c) not to encourage excessive risk-taking as compared to the investment policy of the relevant sub-funds of the Company (each, a “Fund”);
- (d) to provide a framework for remuneration to attract, motivate and retain staff (including directors) to which the policy applies in order to achieve the objectives of the Company; and
- (e) to ensure that any relevant conflicts of interest can be managed appropriately at all times.

1.2 Application

This policy applies to staff whose professional activities have a material impact on the risk profile of the Company or of the Funds and so covers: (i) senior management; (ii) risk takers<sup>1</sup>; (iii) control functions<sup>2</sup>; and (iv) any employees receiving total remuneration that takes them into the same remuneration bracket<sup>3</sup> as senior management and risk takers, whose professional activities have a material impact on the risk profile of the Company. The Company currently does not have any employees – the only personnel are the Company’s management body (i.e., the board of directors) (each, a “Director” and collectively, the “Board”). All members of the Board are non-executive Directors. Certain of the Directors are affiliated with the investment manager of the Funds (the “Investment Manager”). This policy applies both to the Directors who receive remuneration—namely, those Directors who are not affiliated with the Investment Manager (the “Independent Directors”) – and the Directors who do not receive remuneration in light of their affiliation with the Investment Manager.

1.3 Governance

UCITS management companies and self-managed investment companies that are significant in terms of their size or of the size of the funds they manage, their internal organisation and the nature, the scope and the complexity of their activities are required to establish a remuneration committee. In view of the non-complex nature of the Company’s internal structure and its activities, it is not considered necessary for the Company to establish a remuneration committee. In particular, the Company has taken account of the following circumstances prevailing as of the date of this document:

- the assets under management of the Company;
- the number of directors on the Board;
- the Company has no employees; and
- the Company does not act as an alternative investment fund manager under Directive 2011/61/EU (“AIFMD”) or provide the services mentioned under Article 6(3) of the UCITS Directive.

<sup>1</sup> The Remuneration Guidelines refer in this context to “staff responsible for heading the investment management, administration, marketing, human resources” and “staff members, whose professional activities – either individually or collectively, as members of a group (e.g. a unit or part of a department) – can exert material influence on the management company’s risk profile or on a UCITS it manages, including persons capable of entering into contracts/positions and taking decisions that materially affect the risk positions of the management company or of a UCITS it manages. Such staff can include, for instance, sales persons, individual traders and specific trading desks.”

<sup>2</sup> “Control functions” refers to staff (other than senior management) responsible for risk management, compliance, internal audit and similar functions within a management company.

<sup>3</sup> “Remuneration bracket” refers to the range of the total remuneration of each of the staff members in the senior manager and risk taker categories – from the highest paid to the lowest paid in these categories.

**UCITS V Remuneration Policy (unaudited) – (continued)**

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**1. Remuneration Policy – (continued)****1.3 Governance – (continued)**

Accordingly, the Company is considered to be a non-complex, self-managed investment company. The Board is responsible for the remuneration policy of the Company and for determining the remuneration of the directors of the Company. The Board is comprised of non-executive directors only. The Board has adopted this policy and periodically reviews (at least annually) the general principles of this policy and is responsible for, and oversees, its implementation in line with the UCITS Regulations. The Board considers that its members have appropriate expertise in risk management and remuneration to perform this review. Where a periodic review reveals that the remuneration system does not operate as intended or prescribed, the Board shall ensure that a timely remedial plan is put in place.

**1.4 Alignment of remuneration and risk-taking****(a) Fixed Salary**

The Independent Directors receive a fixed annual fee which is competitive and based on the individual Director's powers, tasks, expertise and responsibilities including, without limitation:

- (i) nature and complexity of the funds;
- (ii) demands of fulfilling regulatory obligations; and
- (iii) designated person functions.

Each Director's performance is subject to annual review by the Board.

**(b) Variable Salary**

The Directors receive fixed remuneration only. It is not considered appropriate that the Directors receive variable remuneration from the Company. The following pay-out process rules in the UCITS Regulations applicable to variable remuneration do not apply to the remuneration paid to staff of the Company:

- variable remuneration in instruments;
- retention;
- deferral;
- ex post incorporation of risk for variable remuneration.

Following an assessment by the Company of each of the pay-out process rules in the [UCITS V Directive] and taking account of the Company's specific circumstances, the approach set out here is considered to be appropriate to Company's size, internal organisation and the nature, scope and complexity of its activities as noted in Section 1.3.

**(c) Expenses**

The Independent Directors will be reimbursed all reasonable, validly incurred, duly authorised and documented business expenses.

**(d) Other Benefits**

The Company does not propose to provide benefits to the Directors other than those referred to in this policy.

**(e) Pension**

The Directors are not entitled to pension contributions or other benefits from the Company in respect of their role as Directors.

**(f) Notice of termination and severance pay**

The maximum notice period in any Director's letter of engagement shall be determined by the relevant letter of engagement. Subject to the terms of that engagement letter, a Director's fee will continue to be paid during the relevant notice period. No severance payments are made.

**(g) Conflicts of Interest**

To the extent that the Company in the future retains any staff engaged in control functions (i.e., staff (other than senior management) responsible for risk management, compliance, internal audit and similar functions), in order to address any conflict of interest such staff shall be compensated in accordance with the achievement of the objectives linked to their control functions, independent of the performance of the business area to which the control functions relate. A Director of the Company is also the Compliance Officer of the Company. However, in light of the Compliance Officer's affiliation with the Investment Manager, the Compliance Officer does not receive a fee for this role either.

UCITS V Remuneration Policy (unaudited) – (continued)

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1. Remuneration Policy – (continued)

1.4 Alignment of remuneration and risk-taking – (continued)

(g) Conflicts of Interest – (continued)

A Director may undertake external activities with or without compensation and/or inducements that might lead to a conflict of interest with the Company or the Funds provided the conflict of interest is considered and disclosed in accordance with the terms of the Director’s letter of appointment and the UCITS Regulations.

Any staff that may be engaged by the Company are required to undertake not to use personal hedging strategies or remuneration- and liability-related insurance to undermine the risk alignment effects embedded in their remuneration arrangements subject to this policy.

The Company has also adopted a connected party transaction policy in accordance with the requirements of the Central Bank.

2. Deviation from the Policy

The Board may deviate from this policy. However, in such a case, the relevant payments must comply with the UCITS Regulations and the ESMA Guidelines (to the extent applicable) and in addition, the Board shall approve any payments made and shall document the deviation and the rationale for it.

