

Butterfield Liquid Reserve Fund Limited

FINANCIAL STATEMENTS
FOR THE YEARS ENDED
JUNE 30, 2010 AND 2009

Butterfield Liquid Reserve Fund Limited

To the Shareholders:

We present the Annual Report of the Fund for the twelve months ended June 30, 2010. The Fund's investments experienced a substantial general recovery in prices over the period as the credit market environment improved. The non-tradable net asset value per share (NAV) of the Fund, after expenses and fees, decreased from \$7.5721 ex div on June 30, 2009 to \$6.7563 ex div on June 30, 2010. The NAV of the Fund remained suspended from June 17, 2009. Four dividend payments of \$2.71, \$1.43, \$1.20 and \$0.80 per share, respectively, totaling \$6.14 per share were declared on June 30, 2009, December 31, 2009, March 31, 2010 and June 30, 2010, respectively. The NAV of the Fund on June 30, 2010 was \$6.7563 per share ex the \$0.80 dividend to be paid on July 13, 2010 (\$7.5563 before deducting dividend), an equivalent price some 40.3% above the suspension level.

On a total return basis after fees, the Fund's return was 38.68% for the twelve months ended June 30, 2010. The net asset value of the Fund (ex dividend) stood at \$24.97 million at June 30, 2010.

At the Fund adviser's request, to lower fund expenses, Standard & Poor's agreed to withdraw the Fund's rating with effect from June 30, 2009.

Fund Review

The Fund recovered over the year as floating rate note (FRN) credit spreads tightened with general improvements in credit spreads as the US and Global economy recovered from recession and financial crisis. FRN market demand and liquidity improved despite the Federal Reserve maintaining the Fed Funds rate at near zero levels to boost the US economic performance. The main sub sectors that recovered and led to price increases were UK RMBS, US CMBS and middle market loan ABS issues. The timing and amounts of further principal pay-downs on some securities remain uncertain. The recent increase in LIBOR rates helped coupon reset levels and added to total returns. We expect the US economy to continue its uneven recovery and the Fed is likely to keep the Fed Funds Rate at near zero level until well into 2011. The Fund contains all FRN securities with no fixed coupon exposure and average portfolio duration was 1.8 months at the end of the period.

Fund Outlook

The Fund had recovered significantly over the past year and the strategy has been to return funds to shareholders as investments have received principal pay-downs and interest coupons or been sold. This has resulted in a total of \$6.14 per share or \$22.7 million being paid to shareholders since the Fund NAV was suspended.



David Stewart
President
Butterfield Liquid Reserve Fund Limited

October 11, 2010

Butterfield Liquid Reserve Fund Limited

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the accompanying statements of net assets of Butterfield Liquid Reserve Fund Limited ("the Fund"), including the statements of portfolio investments, as at June 30, 2010 and 2009, and the statements of operations and changes in net assets for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Canada and Bermuda. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at June 30, 2010 and 2009, and the results of its operations and the changes in its net assets for the years then ended, in accordance with accounting principles generally accepted in Canada and Bermuda.

Deloitte + Touche Ltd.

DELOITTE & TOUCHE LTD.

Chartered Accountants

Hamilton, Bermuda

October 11, 2010

Butterfield Liquid Reserve Fund Limited

DIRECTORS

Barry Hanson
Sheila Brown
Curtis Dickinson
Dawn Griffiths
David Stewart (Appointed on November 23, 2009)
John Weale (Resigned on November 23, 2009)
Ian Coulman (Resigned on July 20, 2009)

INVESTMENT ADVISOR

Butterfield Asset Management Limited
P.O. Box HM 195
Hamilton HM AX
Bermuda

CUSTODIAN

Butterfield Trust (Bermuda) Limited
P.O. Box HM 195
Hamilton HM AX
Bermuda

REGISTRAR, TRANSFER AGENT AND ADMINISTRATOR

Butterfield Fulcrum Group (Bermuda) Limited
P.O. Box HM 195
Hamilton HM AX
Bermuda

AUDITORS

Deloitte & Touche Ltd.
P.O. Box HM 1556
Hamilton HM FX
Bermuda

AUDIT COMMITTEE

Barry Hanson
John Weale (Resigned on November 23, 2009)

Butterfield Liquid Reserve Fund Limited

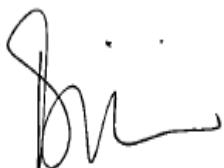
STATEMENTS OF NET ASSETS

As at June 30, 2010 and 2009

(Expressed in US Dollars)

	2010	2009
ASSETS		
Investments, at current value (Cost 2010 - \$36,937,604 ; 2009 - \$50,195,755)	\$ 24,414,987	\$ 27,564,349
Due from broker	2,988,302	-
Cash and cash equivalents	582,043	10,459,619
Accrued interest receivable	24,836	37,737
Prepaid expenses	2,796	19,698
	28,012,964	38,081,403
LIABILITIES		
Dividends payable	2,956,378	10,014,729
Accrued expenses	77,022	72,208
	3,033,400	10,086,937
	24,979,564	27,994,466
Organisational shares	12,000	12,000
FUND NET ASSETS	\$ 24,967,564	\$ 27,982,466
Number of common shares in issue	3,695,472	3,695,472
NET ASSET VALUE PER COMMON SHARE	\$ 6.7563	\$ 7.5721

Signed on Behalf of the Board



DIRECTOR



DIRECTOR

The accompanying notes are an integral part of these financial statements

Butterfield Liquid Reserve Fund Limited

STATEMENTS OF PORTFOLIO INVESTMENTS

As at June 30, 2010 and 2009

(Expressed in US Dollars)

Investment	Nominal	2010 Current Value	% of Portfolio	Nominal	2009 Current Value	% of Portfolio
Corporate Bonds						
Aleutian Investments 20/5/14	1,444,444 \$	433,333	1.77%	1,666,667 \$	1,250,000	4.53%
Nationwide Life Global 14/12/10	-	-	-	3,000,000	2,882,064	10.47%
		433,333	1.77%		4,132,064	15.00%
Mortgage Backed Securities						
Asset Backed Funding Cert 25/12/33	1,887,882	552,718	2.26%	2,086,786	537,445	1.95%
Bank of America BALL 2005 15/3/22	10,000,000	8,528,136	34.93%	10,000,000	6,356,100	23.06%
Granite Mortgage 20/1/44	3,225,198	2,512,077	10.29%	3,225,198	997,357	3.62%
Residential Mtg Sec M1B 11/12/36	2,546,000	2,059,918	8.44%	2,546,000	1,700,193	6.17%
Residential Mtg Sec M2B 11/12/36	638,500	541,671	2.22%	638,500	403,392	1.46%
Terwin Mortgage Trust 25/11/33	1,256,281	471,105	1.93%	1,477,430	583,600	2.12%
Wachovia WBCMT 2007 15/6/20	5,000,000	3,000,000	12.29%	5,000,000	1,850,000	6.71%
		17,665,625	72.36%		12,428,087	45.09%
Asset Backed Securities						
ACAS Business Loan Trust 16/8/19	8,021,175	4,010,588	16.43%	8,021,175	2,005,295	7.27%
Capital Source 2006 -1A 22/8/16	-	-	-	4,615,543	2,538,548	9.21%
Capital Source 2007 -1A B 20/3/17	2,882,654	2,305,441	9.44%	2,882,654	1,814,865	6.58%
Hertz Vehicle Financing 25/11/11	-	-	-	5,000,000	4,645,490	16.85%
		6,316,029	25.87%		11,004,198	39.91%
TOTAL INVESTMENTS AT CURRENT VALUE						
(Cost 2010 - \$36,937,604; 2009 - \$50,195,755) \$		24,414,987	100.00%		\$ 27,564,349	100.00%

The Fund's portfolio includes \$10 million nominal original face of Novastar ABS CDO FRN 8/2/47, which has been fully written down to zero value. The Fund is currently not accruing interest for this security.

The accompanying notes are an integral part of these financial statements

Butterfield Liquid Reserve Fund Limited

STATEMENTS OF OPERATIONS

For the years ended June 30, 2010 and 2009

(Expressed in US Dollars)

	2010	2009
INVESTMENT INCOME		
Interest	\$ 355,586	\$ 2,128,761
EXPENSES		
Management fee	101,880	211,973
Registrar & transfer agent fee	35,724	53,589
Secretarial fee	28,070	14,338
Directors' fee	23,514	22,500
Advertising	22,139	21,023
Insurance	21,507	19,033
Audit fee	20,279	23,268
Accounting fee	19,686	65,000
Legal fee	17,519	-
Custodian fee	9,080	19,406
Government fee	8,031	13,918
Miscellaneous	7,677	15,355
Communication	7,200	7,200
Interest	-	35,433
	322,306	522,036
NET INVESTMENT INCOME	33,280	1,606,725
NET REALISED AND UNREALISED GAIN (LOSS) ON INVESTMENTS		
Net realised loss on investments	(481,502)	(11,353,341)
Net change in unrealised gain (loss) on investments	10,108,789	(8,520,699)
NET GAIN (LOSS) ON INVESTMENTS	9,627,287	(19,874,040)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	\$ 9,660,567	\$ (18,267,315)

The accompanying notes are an integral part of these financial statements

Butterfield Liquid Reserve Fund Limited

STATEMENTS OF CHANGES IN NET ASSETS

For the years ended June 30, 2010 and 2009

(Expressed in US Dollars)

	2010	2009
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	\$ 9,660,567	\$ (18,267,315)
<hr/>		
DISTRIBUTIONS TO INVESTORS		
Dividends paid and payable	(12,675,469)	(10,014,729)
<hr/>		
CAPITAL STOCK TRANSACTIONS		
Issue of shares	-	4,120,108
Redemption of shares	-	(51,890,033)
<hr/>		
Net capital stock transactions	-	(47,769,925)
<hr/>		
NET DECREASE IN NET ASSETS FOR THE YEAR	(3,014,902)	(76,051,969)
NET ASSETS – BEGINNING OF YEAR	27,982,466	104,034,435
<hr/>		
NET ASSETS – END OF YEAR	\$ 24,967,564	\$ 27,982,466

The accompanying notes are an integral part of these financial statements

Butterfield Liquid Reserve Fund Limited

NOTES TO THE FINANCIAL STATEMENTS **For the years ended June 30, 2010 and 2009** **(Expressed in US Dollars)**

1. ABOUT THE FUND

Butterfield Liquid Reserve Fund Limited (the "Fund"), is an open-ended investment company which was incorporated under the laws of Bermuda on April 19, 1995.

The Fund commenced operations on April 28, 1995. Butterfield Trust (Bermuda) Limited, acts as Custodian. Butterfield Asset Management Limited acts as Investment Advisor. Butterfield Fulcrum Group (Bermuda) Limited acts as Registrar and Transfer Agent and as Accountants for the Fund. Butterfield Trust (Bermuda) Limited and Butterfield Asset Management Limited are wholly owned subsidiaries of The Bank of N.T. Butterfield & Son Limited (the "Bank"), and the Bank also holds a significant interest in Butterfield Fulcrum Group (Bermuda) Limited.

The investment objective of the Fund is to seek as high an overall rate of return as possible while endeavoring to maintain liquidity and limited price volatility. To achieve this objective, the Fund invests in US dollar denominated short dated fixed and floating rate debt securities.

On June 17, 2009, the Directors of the Fund decided to suspend the calculation of the net asset value of the Fund. Share subscriptions and redemptions from the Fund were also suspended.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting principles generally accepted in Canada and Bermuda. The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. The following is a summary of significant accounting policies followed by the Fund.

a) Valuation of Investments

Over the counter securities are valued on the basis of the mean between the current bid and ask prices on that date. Securities which are not listed on a national securities exchange or reported on other national markets, but which are traded among broker-dealers and other institutional investors in over-the-counter markets are recorded at fair value using current market quotations provided by such broker-dealers and, where available, external pricing sources. The Fund's investments at June 30, 2009 are generally illiquid, and not actively traded, resulting in less reliable market quotations. The net change during the year between these amounts and cost is shown as unrealized gain (loss) on investments.

The requirements of the CICA Handbook Section 3855, Financial Instruments – Recognition and Measurement ("CICA 3855"), became effective for fiscal years beginning on or after October 1, 2006. CICA 3855 prescribes specific guidance for establishing fair values under GAAP, including the use of bid prices for long positions and ask prices for short positions for investments quoted in active markets. Where active markets do not exist, fair values are established using a fair valuation technique. Prior to the adoption of CICA 3855, fair values were based on last traded or closing prices or based on management's best estimate where market quotations were not reliable or available.

Butterfield Liquid Reserve Fund Limited

NOTES TO THE FINANCIAL STATEMENTS For the years ended June 30, 2010 and 2009 (Expressed in US Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

a) Valuation of Investments (cont'd)

The process of valuing investments for which no active market exists is inevitably based on inherent uncertainties and the resulting values may differ from values that would have been used had an active market existed for these investments. The valuation of such securities can be based on various valuation techniques that could include mathematical models, comparable valuation models, fundamental valuation models, or other techniques that would reflect the specific business situation or market the security operates within. The models would use observable market data as inputs where possible. However, in some instances, certain investments are fair valued based on assumptions that may not be supported by observable inputs. Securities without observable market value inputs in their valuation require judgment in establishing their fair value. Changes in any of these assumptions could affect the reported fair value of financial assets or financial liabilities.

CICA 3855 also requires that transaction costs (such as brokerage commissions) incurred on portfolio transactions be recognized immediately in net income and presented as a separate expense item in the financial statements.

Had the Fund used the bid prices for long positions, as prescribed by CICA 3855, the current value of investments and fund net assets would have decreased by \$Nil (2009 \$384,554) and the net asset value per common share would have decreased by \$Nil (2009 \$0.1041).

b) Investment Transactions and Income Recognition

Investment transactions are accounted for on the trade date. Gains or losses arising from the sale of investments are determined using the average cost basis. Income from investments is recorded on the accrual basis. Interest income is recorded as earned and dividend income is recorded on the ex-dividend date.

c) Cash and Cash Equivalents

Cash equivalents are comprised primarily of shares in the Butterfield Money Market Fund Limited, an affiliated money market fund, denominated in US\$ shares. Shares may be redeemed on a same day notice.

d) Financial Assets and Liabilities

In addition to the estimated fair values of investments as disclosed in the statements of portfolio investments, the estimated fair value of the Fund's other financial instruments, including cash and cash equivalents, accrued interest receivable, dividends payable and accrued expenses approximate their carrying value.

e) Adoption of New Accounting Standards

The CICA issued CICA Handbook Section 3862 ("CICA 3862"), Financial Instruments — Disclosures and Section 3863 ("CICA 3863"), Financial Instruments — Presentation, effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. These standards provide comprehensive disclosure and presentation requirements for financial instruments, and introduce new requirements for specific qualitative and quantitative disclosure about risks. The main objective of this standard is to enable investors to evaluate the significance of financial instruments, the nature and extent of risks involved, and how these risks are managed. CICA 3862 requirements were adopted since the prior year.

Butterfield Liquid Reserve Fund Limited

NOTES TO THE FINANCIAL STATEMENTS For the years ended June 30, 2010 and 2009 (Expressed in US Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

e) Adoption of New Accounting Standards (cont'd)

During 2009, the Accounting Standards Board issued amendments to CICA 3862 that are effective for annual financial statements relating to fiscal years ending after September 30, 2009. These amendments are designed to enhance the existing disclosure around fair value and liquidity risk. This is accomplished by classifying the Fund's financial assets and financial liabilities into levels based on the input used to value the Fund's investments:

Level 1 — for unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 — for inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 — for inputs that are based on unobservable market data.

As part of the disclosure requirements, significant transfers between level 1 and level 2 investments are disclosed. The adoption of these amendments did not have an impact on net assets, increase (decrease) in net assets from operations, or increase (decrease) in net assets from operations per unit of the Fund.

CICA Emerging Issues Committee Abstract 173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

Effective January 20, 2009, the Fund adopted retrospectively without restatement the CICA Emerging Issues Committee Abstract 173 ("EIC-173"), Credit Risk and the Fair Value of Financial Assets and Liabilities. EIC-173 requires the Fund's own credit risk and the credit risk of the counterparties to be taken into account in determining the fair value of financial assets and liabilities, including derivative instruments. The adoption of EIC-173 did not have a material impact on the financial position or results of operations of the Fund.

International Financial Reporting Standards

In February 2008, the CICA announced that International Financial Reporting Standards ("IFRS") will replace Canadian GAAP in 2011 for profit-oriented publicly accountable enterprises. The change will be effective for fiscal years commencing on or after January 1, 2011. The Fund is currently determining the impact of IFRS on its financial statements.

3. FINANCIAL RISK MANAGEMENT

The Funds' overall risk management approach includes formal guidelines to govern the extent of exposure to various types of risk. The Investment Advisor also has various internal controls to oversee the Funds' investment activities, including monitoring compliance with the investment objective and strategies, internal guidelines and securities regulations.

Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The value of such securities on the Statement of Portfolio Investments includes consideration of the creditworthiness of the issuer, and, accordingly represents the maximum credit risk exposure of the Fund.

Credit ratings below represent ratings of debt securities provided by Standard & Poor's and are subject to change, which could be material.

Butterfield Liquid Reserve Fund Limited

NOTES TO THE FINANCIAL STATEMENTS For the years ended June 30, 2010 and 2009 (Expressed in US Dollars)

3. FINANCIAL RISK MANAGEMENT (CONT'D)

Credit Risk (cont'd)

As of June 30, 2010 and 2009, the Fund invested in fixed income securities with the following credit ratings:

Debt Securities by Credit Rating	% of Portfolio	
	2010	2009
AAA	22.00	34.50
AA	11.00	20.20
A	44.80	40.50
BBB	12.40	4.80
BB	8.20	-
NR	1.60	-
	100.00	100.00

As at June 30, 2010, had the interest rate increased or decreased by 25 basis points and assuming a parallel shift in the yield curve, net assets would have increased or decreased by approximately \$112,354 (2009: \$104,934). This change is estimated using the weighted average duration of the fixed income portfolio. This analysis assumes that all other variables remained unchanged. In practice, actual results may differ from this analysis and the difference could be material.

Currency Risk

Currency risk is the risk that the value of an investment will fluctuate due to changes in foreign exchange rates. When the Fund enters into transactions which are denominated in currencies other than the Funds' reporting currency the Investment Advisor attempts to mitigate the associated currency risk in accordance with the above mentioned guidelines which may include the use of forward currency contracts. The Fund's transactions in a currency different from the reporting currency are not significant thus any risks associated are negligible.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Prices of fixed income securities generally increase when interest rates decline, and decrease when interest rates rise. The Fund is exposed to these fluctuations through their holdings of fixed income securities.

The table below indicates the Fund's holdings in fixed income securities by remaining term to maturity:

Debt Securities by Maturity	Carrying Value	
	2010	2009
1 - 3 years	\$ 433,333	\$ 7,527,554
3 - 5 years	-	1,250,000
Greater than 5 years	23,981,654	18,786,795
	\$ 24,414,987	\$ 27,564,349

Butterfield Liquid Reserve Fund Limited

NOTES TO THE FINANCIAL STATEMENTS For the years ended June 30, 2010 and 2009 (Expressed in US Dollars)

3. FINANCIAL RISK MANAGEMENT (CONT'D)

Liquidity Risk

Liquidity risk is the risk that the entity will encounter difficulty in meeting obligations associated with financial liabilities. See Note 11.

Other price/market risk

Other price/market risk is the risk that the value of investments will fluctuate as a result of market conditions. The Fund is exposed to price/market risk on its holdings of fixed income securities as discussed in the Interest Rate Risk section above.

4. FAIR VALUE OF FINANCIAL ASSETS

The following is a summary of the inputs used as of June 30, 2010 in valuing the Fund's financial assets and financial liabilities carried at current value:

Classification	Level 1	Level 2	Level 3	Total
Financial Assets				
Corporate bonds	\$ -	\$ 433,333	\$ -	\$ 433,333
Mortgage backed securities	-	17,665,625	-	17,665,625
Asset backed securities	-	6,316,029	-	6,316,029
Total Financial Assets	\$ -	\$ 24,414,987	\$ -	\$ 24,414,987

Transfers of assets between level 1 and level 2

Financial assets and liabilities transferred from level 1 to level 2 are the result of the securities no longer being traded in an active market. There were no transfers of financial assets and liabilities from level 1 to level 2 in the current period. Financial assets and liabilities transferred from level 2 to level 1 are the result of the securities now being traded in an active market. There were no transfers of financial assets and liabilities from level 2 to level 1 during the year ended June 30, 2010.

Reconciliation of financial asset and liability movement — level 3

The Fund did not hold any level 3 investments at the beginning, during, or at the end of the year ended June 30, 2010.

Butterfield Liquid Reserve Fund Limited

NOTES TO THE FINANCIAL STATEMENTS For the years ended June 30, 2010 and 2009 (Expressed in US Dollars)

5. SHARES ISSUED AND OUTSTANDING

The authorised capital stock is as follows:
100,000,000 common shares of a par value of \$0.10 each
120,000 organisational shares of a par value of \$0.10 each

Details of shares issued and outstanding during the year are as follows:

	2010	2009
Common Shares		
Balance - beginning of year	3,695,472	7,809,116
Issue of common shares	-	361,361
Redemption of common shares	-	(4,475,005)
Balance - end of year	3,695,472	3,695,472
Organisational shares	12,000	12,000

The organisational shares are owned by the Investment Advisor.

6. DIVIDENDS

Dividends declared by the fund on 3,695,472 shares were as follows:

	2010	2009	
\$1.43 per Share	5,284,535	-	January 11, 2010
\$1.20 per Share (2009: \$2.71 per share)	\$ 4,434,556	\$ 10,014,729	April 12, 2010
\$0.80 per Share	2,956,378	-	July 13, 2010
	\$ 12,675,469	\$ 10,014,729	

7. NET REALISED GAIN (LOSS) ON INVESTMENTS

The net realized gain (loss) on sale of investments was as follows:

	2010	2009
Proceeds on sale of investments	\$ 22,075,976	\$ 68,976,748
Less cost of investments sold:		
Investments owned at beginning of year	50,195,755	116,528,869
Investments purchased during year	9,299,327	13,996,975
Investments owned at end of year	(36,937,604)	(50,195,755)
Investments sold during year	22,557,478	80,330,089
Net realised gain (loss) on investments	\$ (481,502)	\$ (11,353,341)

The Fund purchased two highly liquid securities with maturities of less than 50 days in order to maximize returns on surplus cash prior to the January and April dividend distributions.

Butterfield Liquid Reserve Fund Limited

NOTES TO THE FINANCIAL STATEMENTS **For the years ended June 30, 2010 and 2009** **(Expressed in US Dollars)**

8. RELATED PARTY TRANSACTIONS

a) Management Fee

Under the terms of the Management Agreement, the Investment Advisor is entitled to receive a monthly fee calculated at the rate of no more than 1% per annum of the average valuation of the net assets of the Fund carried out on the Valuation Days during each month. Presently, the monthly fee is calculated at the rate of 0.35% per annum.

b) Custodian Fee

Under the Custodian Agreement, the Custodian is entitled to receive a quarterly fee calculated at the rate of 0.03% per annum of the Fund's invested assets, including cash and unsettled trades in accordance with the Custodian's published fee schedule.

c) Accounting Fee and Registrar and Transfer Agent Fee

Accounting fees and Registrar and Transfer Agent fees were charged at a rate of 20 basis points per annum up to \$100 million of the net asset value of the Fund and 2.5 basis points on the excess, and is accrued on a weekly basis.

d) Corporate Secretarial Fee

Corporate secretarial fees are charged on a time spent basis at their normal rates.

9. TAXATION

Under current Bermuda law the Fund is not required to pay any taxes in Bermuda on either income or capital gains. The Fund has received an undertaking from the Minister of Finance in Bermuda that in the event of any such taxes being imposed the Fund will be exempted from taxation until the year 2016.

Butterfield Liquid Reserve Fund Limited

NOTES TO THE FINANCIAL STATEMENTS For the years ended June 30, 2010 and 2009 (Expressed in US Dollars)

10. FINANCIAL HIGHLIGHTS

Per Share Information		2010		2009
Net asset value - beginning of year	\$	7.5721	\$	13.3222
Income from investment operations				
Net investment income		0.0090		0.2726
Net realised and unrealized gain (loss) on investments		2.6052		(3.3127)
Total from investment operations		2.6142		(3.0401)
Distributions to investors		(3.4300)		(2.7100)
Net asset value - end of year	\$	6.7563	\$	7.5721

Ratios / Supplemental Data

Total net assets - end of year	\$	24,967,564	\$	27,982,466
Weighted average net assets*	\$	28,702,146	\$	60,947,954
Ratio of expenses to weighted average net assets annualized		1.09%		0.86%
Portfolio turnover rate**		32.59%		3.45%
Annual rate of return***		38.68%		(43.16%)

* Weighted average net assets are calculated using net assets on the last valuation date of each month.

** Portfolio turnover rate is calculated using the lesser of purchases or sales of investments for the year divided by the weighted average value of investments, calculated using the last valuation date of each month.

*** Annual rate of return is calculated by comparing the end of year net asset value multiplied by the beginning of the year number of shares to the beginning of year net asset value multiplied by the beginning of the year number of shares.

11. SUBSEQUENT EVENTS

On August 11, 2010 a decision was made by the Board of Directors to proceed with fully liquidating the remaining portfolio of the Fund and utilising the cash raised to pay back the Shareholders. The portfolio was liquidated on September 1, 2010 for a value of \$28,000,978.