

SECURITIES AND EXCHANGE COMMISSION

FORM N-30D

Initial annual and semi-annual reports mailed to investment company shareholders pursuant to Rule 30e-1 (other than those required to be submitted as part of Form NCSR)

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FILER

COLONIAL TRUST III

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Business Address
ONE FINANCIAL CTR
BOSTON MA 02111
6174263750

Dear Shareholder:

I would like to take this opportunity to welcome all former Liberty Financial Utilities Fund investors, as well as all shareholders who have invested since the end of March. As you may know, Colonial Global Utilities Fund, formerly the Liberty Financial Utilities Fund, became part of the Colonial family of funds on March 27, 1995.

<TABLE>

FUND PERFORMANCE (11/1/94 - 4/30/95)

<CAPTION>

| | CLASS A | CLASS B | CLASS D |
|--|----------|----------|----------|
| INCEPTION | 10/15/91 | 3/27/95 | 3/27/95 |
| <S> | <C> | <C> | <C> |
| Distributions declared per share | \$0.328 | \$0.0364 | \$0.0364 |
| Six-month total return, assuming reinvestment of all distributions and no sales charge or CDSC | 3.49% | -- | -- |
| Net asset value per share on 4/30/95 | \$10.64 | \$10.64 | \$10.64 |

</TABLE>

ECONOMIC/MARKET OVERVIEW

The Fund's performance during the semiannual period reflected favorable conditions in the utility stock market. One feature that makes utility stocks attractive is their relatively high yields' but this also makes them sensitive to interest rates changes. During the period, the Federal Reserve Board raised interest rates to slow the economy and keep inflation under control. This put upward pressure on interest rates in many foreign markets. U.S. rates peaked in mid-November, and have moved lower during 1995. This has helped utility stocks in the United States, and it seems likely that foreign interest rates will also decline.

The possible introduction of competition to the electric and telephone industries is another factor that influenced U.S. utility stock prices. New York and California (among other states) are considering proposals for deregulating their electric utilities. Despite the fact that implementation has been delayed, deregulation has negatively influenced prices. However, electric stocks were still the best performing sector of the utilities market. Prices of telephone stocks were negatively affected by uncertainty about competition in local markets.

Although foreign utilities face many of the same concerns as those in the United States, prevailing conditions overseas seem more favorable. Many issuers are benefiting from cost cutting measures and tariff reform. Also, demand for utility services is growing much faster than in the United States. Foreign markets have become more attractive as many utilities that were formerly state monopolies are converted to publicly owned companies. The initial offering prices for the stocks of these new companies often provide good value for investors.

[PHOTO OF JOHN A. MCNEICE, JR., PRESIDENT]

INVESTMENT STRATEGY

U.S. stocks were favored by investors in the utility market for many years. However, foreign utilities have recently taken a more prominent role. While the United States will continue to be a significant source of investments, foreign markets may provide attractive alternatives to their domestic counterparts.

To take advantage of new opportunities, the Fund is shifting its investment emphasis. Although it always had a foreign component, this typically was limited to between 10% and 15% of investments. Management plans to increase this to approximately 45% before the end of 1995. While this may result in lower monthly dividends, it should also enhance the Fund's long-term growth potential.

For a more detailed discussion of your Fund's investment strategy and how it may perform in the months ahead, please refer to the following interview with Portfolio Co-managers Robert Christensen and Ophelia Barsketis.

Sincerely,

/s/ John A. McNeice, Jr.
John A. McNeice, Jr.
President
June 10, 1995

Past performance cannot predict future results. Return and value of an investment will vary, resulting in a gain or loss on sale. All results shown assume reinvestment of distributions. Net asset value (NAV) return does not include sales charges or contingent deferred sales charges (CDSC). Performance for different share classes will vary based on differences in sales charges and fees associated with each class.

REPORT FROM FUND MANAGEMENT

INTERVIEW WITH PORTFOLIO CO-MANAGERS ROBERT CHRISTENSEN AND OPHELIA BARSKETIS,
OF STEIN ROE & FARNHAM

Bob Christensen, Senior Vice President, has managed the Fund since its inception in 1991 and has been associated with the adviser since 1962. Ophelia Barsketis, Senior Vice President, has co-managed the Fund since September 1993 and has been associated with the adviser since 1983.

In the following interview, Bob and Ophelia share their thoughts on how economic conditions during the semiannual period influenced the performance of the Fund. They provide insight on how the market and Fund may perform in the months ahead.

Q: There were some big swings in interest rates during the semiannual period. Did this volatility have an impact on the utilities market?

A: Yes. In fact, interest rate changes had the biggest impact on the utilities market. After peaking in mid-November, U.S. interest rates have started moving lower during 1995. This has sparked a rally in utility stocks, as reflected in the six-month return of 9.9% posted by the Standard & Poor's Utilities Index on April 30.

Q: What's your outlook for U.S. utilities?

A: As economic growth in the United States cools off, demand for electricity will decline. The picture is a bit brighter for natural gas stocks, however, which should continue to grow incrementally. Of all U.S. utilities, telephone companies will likely be the strongest, with growth driven primarily by the burgeoning cellular telephone industry.

Q: The Fund has provided investors with steady performance since its inception. Why are you now placing more emphasis on global investments?

A: We believe this is an opportune time for the Fund to be increasing its foreign investments. Overseas growth should be normal, but 'normal' may mean growth significantly exceeding that of domestic utilities. For example, electric stocks are growing at 10% or more, and natural gas and telephone stocks are doubling the returns of corresponding U.S. companies. Foreign markets are coming out of their recessions in much better economic shape than did the United States, which means foreign utilities will be adding new customers at a much faster rate. Foreign utility stocks should provide an attractive alternative to their U.S. counterparts.

Q: Will the Fund retain its strong income orientation?

A: We will continue to use income as one of our selection criteria. However, foreign securities generally have lower dividend yields than stocks of U.S. utilities. For example, U.S. electric utilities pay out approximately 78% of earnings as dividends, while foreign companies pay out only about 40% of earnings. We are therefore projecting that the Fund's distribution may decline slightly.

Q: Will investors receive a tradeoff benefit to lower distributions?

A: The tradeoff should be an increase in long-term growth potential. We can again use a comparison of foreign and U.S. electric stocks to illustrate this. For domestic companies, combined annual growth of revenues and dividends is projected at 2% to 3% over the next several years. The numbers for foreign electrics appear to be much more

attractive. In developed countries, revenue growth alone is projected at 8% to 9% per year, and in some emerging markets growth may be as high as 15%.

Q: How do you select foreign securities for the portfolio?

A: In developed countries, we look for major utility providers, and we typically invest in one of the top two providers. Investments in emerging markets are also conservative. We often seek out companies in developed countries that are willing to invest in emerging markets. One example is Enron Global Power and Pipeline, a U.S. company that typically undertakes projects in partnership with the government of the host country, such as China and India. Enron often has an option to own and manage the new company once the project is completed.

NOTE: Because market conditions change frequently, there can be no assurance that the trends described here will come to pass or affect Fund performance.

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<TABLE>
LFC UTILITIES TRUST INVESTMENT PORTFOLIO (UNAUDITED, IN THOUSANDS) APRIL 30, 1995

<CAPTION>

| COMMON STOCKS - 49.2% | COUNTRY ABBREV. | SHARES | VALUE |
|--|-----------------|--------|----------|
| <hr/> | | | |
| <S> | <C> | <C> | <C> |
| FINANCE, INSURANCE & REAL ESTATE - 4.7% | | | |
| HOLDING & OTHER INVESTMENT COMPANIES | | | |
| Burnham Pacific Properties, Inc. | | 170 | \$ 2,019 |
| Equity Residential Properties Trust | | 114 | 3,049 |
| Mark Centers Trust | | 214 | 2,702 |
| National Health Investors, Inc. | | 130 | 3,023 |
| | | | <hr/> |
| | | | 10,793 |
| <hr/> | | | |
| MANUFACTURING - 1.1% | | | |
| ELECTRONIC & ELECTRICAL EQUIPMENT | | | |
| Kenetech Corp. | | 180 | 2,565 |
| <hr/> | | | |
| TRANSPORTATION, COMMUNICATIONS, ELECTRIC, GAS & SANITARY SERVICES - 43.4% | | | |
| COMMUNICATIONS - 10.6% | | | |
| American Telephone & Telegraph Corp. | | 82 | 4,136 |
| Ameritech Corp. | | 107 | 4,815 |
| British Telecommunications PLC, ADR | UK | 80 | 5,000 |
| GTE Corp. | | 124 | 4,238 |
| Pacific Telesis Group, Inc. | | 74 | 2,285 |
| Tele Danmark A/S | De | 152 | 3,980 |
| | | | <hr/> |
| | | | 24,454 |
| <hr/> | | | |
| ELECTRIC SERVICES - 20.8% | | | |
| Cinergy Corp. | | 172 | 4,321 |
| Dominion Resources, Inc. | | 65 | 2,372 |
| DPL, Inc. | | 185 | 3,862 |
| Empresa Nacional De Electricidad ADR | Sp | 99 | 4,653 |
| Entergy Corp. | | 80 | 1,740 |
| National Power PLC, ADR | UK | 133 | 1,507 |
| NIPSCO Industries, Inc. | | 132 | 4,257 |
| Northeast Utilities Co. | | 140 | 3,063 |
| Pacific Gas & Electric Co. | | 68 | 1,827 |
| PacifiCorp | | 253 | 4,807 |
| Powergen PLC, ADR | UK | 178 | 5,636 |
| Southern Co. | | 206 | 4,249 |
| Texas Utilities Co. | | 42 | 1,370 |
| Utilicorp United, Inc. | | 163 | 4,564 |
| | | | <hr/> |
| | | | 48,228 |
| <hr/> | | | |
| GAS SERVICES - 10.6% | | | |
| MCN Corp. | | 240 | 4,620 |
| Northwest Natural Gas Co. | | 131 | 4,053 |
| Questar Corp. | | 144 | 4,266 |
| UGI Corp. | | 217 | 4,204 |
| Westcoast Energy, Inc. | | 273 | 4,334 |
| Wicor, Inc. | | 112 | 3,080 |
| | | | <hr/> |
| | | | 24,557 |

| | | |
|--------------------------------------|-----|---------|
| PIPELINES - 1.4% | | |
| Enron Global Power & Pipeline | 138 | 3,312 |
| ----- | | |
| Total common stocks (cost \$116,766) | | 113,909 |
| ----- | | |

</TABLE>

<TABLE>
<CAPTION>

| PREFERRED STOCKS - 4.2% | COUNTRY ABBREV. | SHARES | VALUE |
|---|--------------------|--------|----------|
| ----- | | | |
| <S> | <C> | <C> | <C> |
| FINANCE, INSURANCE & REAL ESTATE - 0.8% | | | |
| DEPOSITORY INSTITUTIONS | | | |
| Nacional Financial, 11.250% | Mx | 61 | \$ 1,886 |
| ----- | | | |
| MANUFACTURING - 2.1% | | | |
| PAPER & PAPER MILLS | | | |
| James River Corp., 9.000% | | 200 | 4,900 |
| ----- | | | |
| TRANSPORTATION, COMMUNICATIONS, ELECTRIC, GAS & SANITARY SERVICES - 1.3% | | | |
| TRANSPORTATION SERVICES | | | |
| GATX Corp., 3.875% | | 54 | 2,903 |
| ----- | | | |
| Total preferred stocks (cost \$10,312) | | | 9,689 |
| ----- | | | |

</TABLE>

<TABLE>
<CAPTION>

| BONDS & NOTES - 39.3% | CURRENCY ABBREV. | PAR | | |
|--|---------------------|-------|-----|-------|
| ----- | | | | |
| <S> | <C> | <C> | <C> | <C> |
| CORPORATE FIXED-INCOME BONDS & NOTES - 27.9% | | | | |
| ----- | | | | |
| FINANCE, INSURANCE, & REAL ESTATE - 1.0% | | | | |
| NONDEPOSITORY CREDIT INSTITUTIONS | | | | |
| Prime Credit Card Master Trust Series 1992, 7.550% 01/15/98 | \$ | 2,250 | | 2,275 |
| ----- | | | | |
| RETAIL TRADE - 1.5% | | | | |
| GENERAL MERCHANDISE STORES | | | | |
| Sears, Roebuck & Co., 10.000% 02/03/12 | | 3,000 | | 3,516 |
| ----- | | | | |
| TRANSPORTATION, COMMUNICATIONS, ELECTRIC, GAS & SANITARY SERVICES - 25.4% | | | | |
| COMMUNICATIONS - 1.3% | | | | |
| New York Telephone Co., 8.625% 11/15/10 | | 2,800 | | 3,004 |
| ----- | | | | |
| ELECTRIC SERVICES - 21.2% | | | | |
| Arizona Public Service Co., 8.000% 02/01/25 | | 2,500 | | 2,382 |
| Cincinnati Gas & Electric Co., 5.875% 07/01/97 | | 1,500 | | 1,463 |
| Duke Power Co., 8.625% 03/01/22 | | 1,000 | | 1,024 |
| Duquense II Funding Corp., 8.700% 06/01/16 | | 3,471 | | 3,445 |
| Houston Light & Power Co., 7.500% 07/01/23 | | 5,000 | | 4,626 |
| Kansas Gas & Electric Co., 8.290% 03/29/16 | | 2,000 | | 1,955 |
| Long Island Lighting Co., 8.500% 05/15/06 | | 2,000 | | 1,930 |
| National Rural Utilities Corp., 9.000% 03/15/16 | | 868 | | 891 |
| New York State Electric & Gas Corp., 9.875% 02/01/20 | | 1,540 | | 1,644 |
| Niagra Mohawk Power Co., 7.375% 08/01/03 | | 4,250 | | 4,036 |
| Old Dominion Electric Coop., 8.760% 12/01/22 | | 2,000 | | 2,103 |
| ----- | | | | |

</TABLE>

See notes to investment portfolio.

<TABLE>
INVESTMENT PORTFOLIO - CONTINUED

| <CAPTION> | | | | |
|--|----------|----------|-------|----------|
| CORPORATE FIXED-INCOME | | CURRENCY | PAR | VALUE |
| BONDS & NOTES - CONT. | | | | |
| <S> | <C> | <C> | <C> | <C> |
| TRANSPORTATION, COMMUNICATIONS, ELECTRIC, GAS & SANITARY SERVICES - CONT. | | | | |
| ELECTRIC SERVICES - CONT. | | | | |
| PacifiCorp, | | | | |
| 6.750% | 04/01/05 | \$ | 2,000 | \$ 1,878 |
| Pennsylvania Power & Light Co., | | | | |
| 9.250% | 10/01/19 | | 2,000 | 2,114 |
| Public Service Co.: | | | | |
| 6.375% | 11/01/05 | | 5,000 | 4,510 |
| 8.750% | 03/01/22 | | 1,000 | 1,028 |
| Public Service Electric & Gas Co., | | | | |
| 8.750% | 02/01/22 | | 2,356 | 2,409 |
| Puget Sound Power & Light Co., | | | | |
| 7.750% | 02/01/07 | | 5,000 | 4,963 |
| RGS I+M Funding, | | | | |
| 9.810% | 12/07/22 | | 1,749 | 1,974 |
| Washington Water & Power Co., | | | | |
| 6.150% | 05/08/00 | | 5,000 | 4,716 |
| | | | | 49,091 |
| PIPELINES - 2.9% | | | | |
| Texas Eastern Transmission Corp.: | | | | |
| 7.960% | 12/22/99 | | 5,000 | 5,078 |
| 10.000% | 08/15/01 | | 1,500 | 1,669 |
| | | | | 6,747 |
| Total corporate fixed-income bonds & notes (cost \$67,897) | | | | 64,633 |
| CORPORATE CONVERTIBLE BONDS - 11.4% | | | | |
| MANUFACTURING - 2.0% | | | | |
| STONE, CLAY, GLASS & CONCRETE | | | | |
| Freeport McMoRan, | | | | |
| 6.550% | 01/15/01 | | 5,000 | 4,531 |
| TRANSPORTATION, COMMUNICATIONS, ELECTRIC, GAS & SANITARY SERVICES - 9.4% | | | | |
| COMMUNICATIONS - 1.7% | | | | |
| Compania De Telefonos De Chile, | | Ch | | |
| 4.500% | 01/15/03 | | 4,000 | 3,990 |
| ELECTRIC SERVICES - 3.2% | | | | |
| AES Corp., | | | | |
| 6.500% | 03/15/02 | | 4,000 | 3,775 |
| Potomac Electric Power Co., | | | | |
| 5.000% | 09/01/02 | | 4,500 | 3,763 |
| | | | | 7,538 |
| GAS SERVICES - 4.5% | | | | |
| Consolidated Natural Gas Co., | | | | |
| 7.250% | 12/15/15 | | 5,000 | 5,100 |
| SFP Pipeline Holdings, Inc., | | | | |
| 10.410% | 08/15/10 | | 4,100 | 5,248 |
| | | | | 10,348 |
| Total convertible bonds (cost \$26,885) | | | | 26,407 |
| Total bonds & notes (cost \$94,782) | | | | 91,040 |

</TABLE>

| <TABLE> | | | | |
|--|----------|-----|-------|----------|
| <CAPTION> | | | | |
| COMMERCIAL PAPER - 6.3% | | | PAR | VALUE |
| <S> | <C> | <C> | <C> | <C> |
| FINANCE, INSURANCE, & REAL ESTATE - 6.3% | | | | |
| INSURANCE CARRIERS - 2.9% | | | | |
| ITT Corp., | | | | |
| 0.000% | 05/02/95 | \$ | 6,680 | \$ 6,677 |
| NONDEPOSITORY CREDIT INSTITUTIONS - 3.4% | | | | |
| Countrywide Credit Industries, Inc., | | | | |
| 0.000% | 05/01/95 | | 7,795 | 7,792 |

| | |
|--|-----------|
| Total commercial paper (cost \$14,469) | 14,469 |
| Total investments - 99.0% (cost \$236,329) (a) | 229,107 |
| OTHER ASSETS & LIABILITIES, NET - 1.0% | 2,308 |
| NET ASSETS - 100.0% | \$231,415 |

<FN>

Notes to investment portfolio:

(a) Cost for federal income tax purposes is the same.

</TABLE>

<TABLE>

<CAPTION>

SUMMARY OF SECURITIES BY COUNTRY

| Country | Currency abbrev. | Country abbrev. | Value | % of total securities at value |
|---------------------|------------------|-----------------|-----------|--------------------------------|
| <S> | <C> | <C> | <C> | <C> |
| United States..... | \$ | | \$202,455 | 88.4 |
| United Kingdom..... | | UK | 12,143 | 5.3 |
| Spain..... | | Sp | 4,653 | 2.0 |
| Chile..... | Ch | Ch | 3,990 | 1.8 |
| Denmark..... | | De | 3,980 | 1.7 |
| Mexico..... | | Mx | 1,886 | 0.8 |
| | | | ----- | ----- |
| | | | \$229,107 | 100.0 |
| | | | ===== | ===== |

</TABLE>

Certain securities are listed by country of underlying exposure but may trade predominantly on other exchanges.

<TABLE>

<CAPTION>

| Acronym | Name |
|---------|-----------------------------|
| <S> | <C> |
| ADR | American Depository Receipt |

</TABLE>

See notes to financial statements.

FINANCIAL STATEMENTS LFC UTILITIES TRUST

<TABLE>

STATEMENT OF ASSETS & LIABILITIES (UNAUDITED)

April 30, 1995

(in thousands)

| <S> | <C> | <C> |
|--|-----------|-------|
| ASSETS | | |
| Investments at value (cost \$236,329)..... | \$229,107 | |
| Receivable for: | | |
| Interest..... | \$1,954 | |
| Dividends..... | 770 | |
| Investments sold..... | 307 | |
| Deferred organization expenses..... | 14 | |
| Other..... | 71 | 3,116 |
| | ----- | ----- |
| Total assets..... | 232,223 | |
| LIABILITIES | | |
| Payable for: | | |
| Investments purchased..... | 573 | |
| Management fee..... | 207 | |
| Accrued: | | |
| Accounting expenses..... | 7 | |
| Other expenses..... | 21 | |
| | ----- | ----- |
| Total liabilities..... | 808 | |
| Net assets applicable to investors' beneficial interest..... | \$231,415 | |
| | ===== | |

</TABLE>

<TABLE>

STATEMENT OF OPERATIONS (UNAUDITED)

Six months ended April 30, 1995

(in thousands)

| <u><S></u> | <u><C></u> | <u><C></u> |
|--|------------------|------------------|
| INVESTMENT INCOME | | |
| Interest..... | \$ 4,372 | |
| Dividends..... | 4,142 | |
| | ----- | |
| Total investment income..... | 8,514 | |
| EXPENSES | | |
| Management fee..... | \$659 | |
| Custodian & accounting fees..... | 55 | |
| Audit & legal fees..... | 6 | |
| Insurance expense..... | 5 | |
| Transfer agent..... | (a) | |
| Trustees fees..... | 2 | |
| Amortization of deferred organization expenses..... | 5 | |
| Other..... | (a) | |
| | ----- | |
| | 732 | |
| Fees waived by the adviser..... | 26 | 706 |
| | ----- | ----- |
| Net investment income..... | 7,808 | |
| | ----- | |
| NET REALIZED AND UNREALIZED GAIN (LOSS) | | |
| ON PORTFOLIO POSITIONS: | | |
| Net realized loss..... | (2,446) | |
| Net unrealized appreciation during the period..... | 3,177 | |
| | ----- | |
| Net gain..... | 731 | |
| | ----- | |
| Net increase in net assets from operations..... | \$ 8,539 | |
| | ===== | |

<FN>
(a) Rounds to less than one.
</TABLE>
See notes to financial statements.

5

FINANCIAL STATEMENTS - CONTINUED

LFC UTILITIES TRUST

<TABLE>
STATEMENT OF CHANGES IN NET ASSETS
(in thousands)

<CAPTION>

| | (unaudited) Six months ended April 30 | Year ended October 31 |
|--|--|--------------------------|
| | 1995 | 1994 |
| | ----- | ----- |
| <u><S></u> | <u><C></u> | <u><C></u> |
| INCREASE (DECREASE) IN NET ASSETS | | |
| Operations | | |
| Net investment income..... | \$ 7,808 | \$ 15,803 |
| Net realized gain (loss)..... | (2,446) | 1,054 |
| Net unrealized appreciation (depreciation)..... | 3,177 | (38,421) |
| | ----- | ----- |
| Net increase (decrease) from operations..... | 8,539 | (21,564) |
| | ----- | ----- |
| Transactions in investors' beneficial interests | | |
| Contributions..... | 4,329 | 46,602 |
| Withdrawals..... | (42,111) | (69,379) |
| | ----- | ----- |
| Net transactions in investors' beneficial interests..... | (37,782) | (22,777) |
| | ----- | ----- |
| Total decrease..... | (29,243) | (44,341) |
| Net assets | | |
| Beginning of period..... | 260,658 | 304,999 |
| | ----- | ----- |
| End of period..... | \$231,415 | \$260,658 |
| | ===== | ===== |

</TABLE>

<TABLE>

FINANCIAL HIGHLIGHTS

Selected data for a share of each class outstanding throughout each period are as follows:

<CAPTION>

| | (UNAUDITED) | | | | PERIOD |
|------------------------------|---------------|------------|-------|------------|---------------|
| | SIX MONTHS | YEAR ENDED | | ENDED | |
| | ENDED | OCTOBER 31 | | OCTOBER 31 | |
| | APRIL 30 | 1994 | 1993 | 1992 | 1991 (a) |
| | 1995 | 1994 | 1993 | 1992 | 1991 (a) |
| | ----- | ----- | ----- | ----- | ----- |
| | <C> | <C> | <C> | <C> | <C> |
| Ratios to average net assets | | | | | |
| Expenses..... | 0.58% (b) (c) | 0.61% | 0.64% | 0.72% (c) | 0.58% (b) (c) |
| Net investment income..... | 7.02% (b) | 5.48% | 5.29% | 6.36% (c) | 6.46% (b) (d) |
| Portfolio turnover..... | 38% (b) | 34% | 41% | 31% | 0% |

<S>
 <FN>
 (a) The Fund commenced investment operations on August 23, 1991.
 (b) Annualized.
 (c) If the Fund had paid all of its expenses and there had been no reimbursement from the Investment Adviser, as described in Note 3, these ratios would have been 0.60%, 0.86% and 4.54% (annualized), respectively.
 (d) Computed giving effect to the Investment Adviser's expense limitation undertaking.
 </TABLE>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED) LFC UTILITIES TRUST

NOTE 1. ORGANIZATION AND ACCOUNTING POLICIES

Liberty Financial Utilities Trust (the Portfolio) was organized on August 14, 1991 as a trust under Massachusetts law and is registered under the Investment Company Act of 1940 as an open-end investment company. The Declaration of Trust permits the Trustees to issue non-transferable interests in the Portfolio. The Portfolio commenced operations on August 23, 1991.

The following is a summary of significant accounting policies followed by the Portfolio in the preparation of its financial statements. The policies are in conformity with generally accepted accounting principles.

 VALUATION OF INVESTMENTS

Equity securities listed on an exchange and over-the-counter equity securities quoted on the NASDAQ system are valued on the basis of the last sale on the date as of which the valuation is made, or, lacking any sales, at the current bid prices. Over-the-counter equity securities not quoted on the NASDAQ system are valued at the latest bid quotations. Long-term debt securities are valued primarily on the basis of valuations furnished by an independent pricing service which utilizes both dealer-supplied quotations and electronic data processing techniques which take into account various factors. Securities for which there are no such reliable quotations or valuations are valued at fair value, as determined in good faith by, or under the direction of, the Trustees of the Portfolio.

Short-term securities with less than sixty days remaining to maturity are valued on the amortized cost basis.

 ORGANIZATION EXPENSES

Expenses incurred in connection with the organization of the Portfolio have been deferred and are being amortized on a straight line basis over five years.

 FEDERAL INCOME TAXES

The Portfolio has complied and intends to comply with the applicable provisions of the Internal Revenue Service Code. Accordingly, no provision for Federal income taxes is considered necessary.

 OTHER

Investment transactions are accounted for on the trade date. Interest income and expenses are recorded on the accrual basis. Dividend income is recorded on the ex-dividend date. Discounts are amortized on a yield to maturity basis.

 NOTE 2. INVESTMENT TRANSACTIONS

Realized gains and losses are computed on the identified cost basis for both financial reporting and Federal income tax purposes.

The cost of investments purchased and proceeds from investments sold, excluding short-term investments, for the six months ended April 30, 1995 were \$17,047,928 and \$46,456,343, respectively.

Unrealized appreciation (depreciation) at April 30, 1995, based on cost of investments for federal income tax purposes was:

<TABLE>
 <S>

| | |
|------------------------------------|----------------|
| Gross unrealized appreciation..... | \$ 8,200,468 |
| Gross unrealized depreciation..... | (15,422,206) |
| | ----- |
| Net unrealized depreciation..... | \$ (7,221,738) |

</TABLE>

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NOTE 3. TRANSACTIONS WITH AFFILIATES

INVESTMENT MANAGEMENT

The Portfolio has a management agreement with Stein Roe & Farnham, Inc. (Stein Roe), an indirect wholly-owned subsidiary of Liberty Financial Services, Inc. (Liberty Financial) under which Stein Roe provides investment management services. The investment management fee paid to Stein Roe is accrued daily and paid monthly at an annual rate of 0.55% of the Portfolio's average daily net assets up to \$400 million and 0.50% of its average daily net assets over that amount. Stein Roe had delegated the performance of its administrative duties to Liberty Investment Services, Inc. (Liberty Services), also a wholly-owned

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

LFC UTILITIES TRUST

subsidiary of Liberty Financial through March 24, 1995. Stein Roe has assumed those duties since March 24, 1995.

EXPENSE LIMITATIONS

Stein Roe and Liberty Services had voluntarily agreed, until March 24, 1995, not to impose their fees under their management and administration agreements with the Colonial Global Utilities Fund (the Fund) (formerly Liberty Financial Utilities Fund), which invests all its assets in the Portfolio, and the Portfolio, to the extent those fees would cause the aggregate expenses, as defined, of the Fund and the Portfolio to exceed the rate of 1.25% per annum of the Fund's average daily net assets and to guarantee payment of expenses in excess of that rate.

NOTE 4. INVESTMENT IN REPURCHASE AGREEMENTS

The Portfolio may enter into repurchase agreements with banks, broker-dealer firms and other recognized financial institutions whereby such institutions sell an instrument in which the Portfolio may invest to the Portfolio, and the seller agrees, at the time of the sale, to repurchase that instrument at a specified time and price. The Portfolio requires the seller of the instrument to maintain on deposit with the Portfolio's Custodian Bank or in the Federal Reserve Book-Entry System securities in an amount at all times equal to or in excess of the value of the repurchase agreement plus accrued interest. In the event that the seller of the instrument defaults on the repurchase obligation, the Portfolio could receive less than the repurchase price on the sale of the securities to another party or could be subject to delays in selling the securities.

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FINANCIAL STATEMENTS

COLONIAL GLOBAL UTILITIES FUND

<TABLE>

STATEMENT OF ASSETS & LIABILITIES (UNAUDITED)

April 30, 1995

(in thousands except for per share amounts and footnote)

| <u><S></u> | <u><C></u> | <u><C></u> |
|---|------------------|------------------|
| ASSETS | | |
| Investments in LFC Utilities Trust, at value..... | | \$231,361 |
| Receivable for Fund shares sold..... | \$ 58 | |
| Deferred organization expenses..... | 33 | |
| Other..... | 14 | 105 |
| | ---- | ----- |
| Total assets..... | | 231,466 |
| LIABILITIES | | |
| Payable for: | | |
| Fund shares repurchased..... | 157 | |
| Distributions..... | 125 | |
| Accrued: | | |
| Administration fee..... | 20 | |
| Service fee..... | 8 | |
| Transfer agent fee..... | 74 | |
| Other..... | 42 | |
| | ---- | |
| Total liabilities..... | | 426 |
| | | ----- |
| NET ASSETS..... | | \$231,040 |
| | | ===== |
| Net asset value & redemption price per share - | | |
| Class A (\$230,519/21,671)..... | | \$ 10.64 * |
| | | ===== |

| | |
|---|-----------|
| Maximum offering price per share - Class A (\$10.64/0.9425)..... | \$ 11.29 |
| | ===== |
| Net asset value & offering price per share - Class B (\$263/25)..... | \$ 10.64 |
| | ===== |
| Net asset value per share - Class D (\$258/24)..... | \$ 10.64 |
| | ===== |
| Maximum offering price per share - Class D (\$10.64/0.9900)..... | \$ 10.75 |
| | ===== |
| COMPOSITION OF NET ASSETS | |
| Capital paid in..... | \$239,998 |
| Undistributed net investment income..... | 722 |
| Accumulated net realized loss..... | (2,405) |
| Net unrealized depreciation..... | (7,275) |
| | ----- |
| | \$231,040 |
| | ===== |

<FN>

* On sales of \$50,000 or more the offering price is reduced.

</TABLE>

<TABLE>

STATEMENT OF OPERATIONS (UNAUDITED)

Six months ended April 30, 1995

(in thousands)

| | | |
|--|--------|----------|
| ----- | | |
| <S> | <C> | <C> |
| INVESTMENT INCOME | | |
| Net investment income from LFC Utilities Trust..... | | \$ 8,492 |
| EXPENSES | | |
| Management fee..... | \$ 706 | |
| Administration fee..... | 120 | |
| Service fee..... | 299 | |
| Distribution fee - Class B..... | (a) | |
| Distribution fee - Class D..... | (a) | |
| Transfer agent..... | 304 | |
| Bookkeeping fee..... | 15 | |
| Trustees fees..... | 2 | |
| Custodian fee..... | 3 | |
| Audit fee..... | 5 | |
| Legal fee..... | 1 | |
| Registration fees..... | 14 | |
| Reports to shareholders..... | 19 | |
| Amortization of deferred organization expenses..... | 15 | |
| Other..... | 9 | |
| | ----- | |
| | 1,512 | |
| Fees waived by the adviser..... | 33 | 1,479 |
| | ----- | ----- |
| Net investment income..... | | 7,013 |
| | | ----- |
| NET REALIZED AND UNREALIZED GAIN (LOSS) | | |
| ON PORTFOLIO POSITIONS: | | |
| Net realized loss..... | | (2,445) |
| Net unrealized appreciation during the period..... | | 3,123 |
| | | ----- |
| Net gain..... | | 678 |
| | | ----- |
| Net increase in net assets from operations..... | | \$ 7,691 |
| | | ===== |

<FN>

(a) Rounds to less than one.

</TABLE>

See notes to financial statements.

FINANCIAL STATEMENTS - CONTINUED

COLONIAL GLOBAL UTILITIES FUND

| | | |
|------------------------------------|--|--|
| ----- | | |
| <TABLE> | | |
| STATEMENT OF CHANGES IN NET ASSETS | | |
| (in thousands) | | |
| ----- | | |
| <CAPTION> | | |

(unaudited)
Six months
ended Year ended

| | April 30 | October 31 |
|---|-----------|------------|
| | 1995 (a) | 1994 |
| <S> | <C> | <C> |
| INCREASE (DECREASE) IN NET ASSETS | | |
| Operations | | |
| Net investment income..... | \$ 7,013 | \$ 14,120 |
| Net realized gain (loss)..... | (2,445) | 1,054 |
| Net unrealized appreciation (depreciation)..... | 3,123 | (38,421) |
| | ----- | ----- |
| Net increase (decrease) from operations..... | 7,691 | (23,247) |
| | ----- | ----- |
| Distributions | | |
| From net investment income - Class A..... | (6,568) | (12,796) |
| From net investment income - Class B..... | (1) | |
| From net investment income - Class D..... | (1) | |
| From net realized gains - Class A..... | (1,042) | (3,377) |
| In excess of net realized gains - Class A..... | | (802) |
| | ----- | ----- |
| | 79 | (40,222) |
| | ----- | ----- |
| Fund share transactions | | |
| Receipts for shares sold - Class A..... | 3,807 | 45,864 |
| Value of distributions reinvested - Class A..... | 6,749 | 15,294 |
| Cost of shares repurchased - Class A..... | (40,556) | (64,986) |
| | ----- | ----- |
| | (30,000) | (3,828) |
| | ----- | ----- |
| Receipts for shares sold - Class B..... | 257 | |
| Value of distributions reinvested - Class B..... | 1 | |
| | ----- | ----- |
| | 258 | |
| | ----- | ----- |
| Receipts for shares sold - Class D..... | 252 | |
| Value of distributions reinvested - Class D..... | 1 | |
| | ----- | ----- |
| | 253 | |
| | ----- | ----- |
| Net decrease from Fund share transactions..... | (29,489) | (3,828) |
| | ----- | ----- |
| Total decrease..... | (29,410) | (44,050) |
| Net assets | | |
| Beginning of period..... | 260,450 | 304,500 |
| | ----- | ----- |
| End of period (including undistributed net investment income of \$722 and \$279, respectively)..... | \$231,040 | \$260,450 |
| | ===== | ===== |

<FN>
(a) Class B and Class D shares were initially offered on March 27, 1995.
</TABLE>

See notes to financial statements.

FINANCIAL STATEMENTS - CONTINUED

COLONIAL GLOBAL UTILITIES FUND

<TABLE>
STATEMENT OF CHANGES IN NET ASSETS - CONTINUED
(in thousands)

<CAPTION>

| | (unaudited) Six months ended April 30 | Year ended October 31 |
|--|--|--------------------------|
| | 1995 (a) | 1994 |
| <S> | <C> | <C> |
| NUMBER OF FUND SHARES | | |
| Sold - Class A..... | 364 | 4,028 |
| Issued for distributions reinvested - Class A..... | 650 | 1,370 |
| Repurchased - Class A..... | (3,894) | (5,908) |
| | ----- | ----- |
| | (2,880) | (510) |
| | ----- | ----- |
| Sold - Class B..... | 25 | |
| Issued for distributions reinvested - Class B..... | (b) | |
| | ----- | ----- |

| | | |
|--|---------|--------|
| | 25 | ----- |
| Sold - Class D..... | 24 | |
| Issued for distributions reinvested - Class D..... | (b) | |
| | ----- | ----- |
| | 24 | |
| | ----- | ----- |
| Net decrease in shares outstanding..... | (2,831) | (510) |
| Outstanding at | | |
| Beginning of period..... | 24,551 | 25,061 |
| | ----- | ----- |
| End of period..... | 21,720 | 24,551 |
| | ===== | ===== |

<FN>
(a) Class B and Class D shares were initially offered on March 27, 1995.
(b) Rounds to less than one.

</TABLE>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED) COLONIAL GLOBAL UTILITIES FUND

NOTE 1. INTERIM FINANCIAL STATEMENTS

In the opinion of the Administrator of Colonial Global Utilities Fund (the Fund), a series of Colonial Trust III, the accompanying financial statements contain all normal and recurring adjustments necessary for the fair presentation of the financial position of the Fund at April 30, 1995, and the results of its operations, the changes in its net assets and the financial highlights for the six months then ended.

NOTE 2. ACCOUNTING POLICIES

The Fund is a Massachusetts business trust, registered under the Investment Company Act of 1940, as amended, as an open-end management investment company. The Fund invests all of its investable assets in interests in the LFC Utilities Trust (the Portfolio), a Massachusetts Trust, having the same investment objective as the Fund. The value of the Fund's investment in the Portfolio reflects the Fund's proportionate interest in the net assets of the Portfolio (99.8% at April 30, 1995). The performance of the Fund is directly affected by the performance of the Portfolio.

The financial statements of the Portfolio, including the portfolio of investments, are included elsewhere in this report and should be read in conjunction with the Fund's financial statements. The Fund may issue an unlimited number of shares. The Fund offers three classes of shares; Class A, Class B and Class D. Class A shares are sold with a front-end sales charge and Class B shares are subject to an annual distribution fee and a contingent deferred sales charge. Class B shares will convert to Class A shares when they have been outstanding approximately eight years. Class D shares are subject to a reduced front-end sales charge, a contingent deferred sales charge on redemptions made within one year after purchase and a continuing distribution fee. The following significant accounting policies are consistently followed by the Fund in the preparation of its financial statements and conform to generally accepted accounting principles.

SECURITY VALUATION AND TRANSACTIONS

Valuations of securities by the Portfolio is discussed in Note 1 of the Portfolio's Notes to Financial Statements which are included elsewhere in this report.

DETERMINATION OF CLASS NET ASSET VALUES AND FINANCIAL HIGHLIGHTS

All income, expenses (other than the Class B and Class D distribution fees), realized and unrealized gains (losses) are allocated to each class proportionately on a daily basis for purposes of determining the net asset value of each class.

The per share data was calculated using the average shares outstanding during the period. In addition, Class B and Class D net investment income per share data reflect the distribution fee applicable to each class.

Class B and Class D ratios are calculated by adjusting the expense and net investment income ratios for the Fund for the entire period by the distribution fee applicable to Class B and Class D shares.

FEDERAL INCOME TAXES

Consistent with the Fund's policy to qualify as a regulated investment company and to distribute all of its taxable income, no federal income tax has been accrued.

DEFERRED ORGANIZATION EXPENSES

The Fund incurred \$99,000 of expenses in connection with its organization, initial registration with the Securities and Exchange Commission and with various states, and the initial public offering of its shares. These expenses were deferred and are being amortized on a straight-line basis over five years.

DISTRIBUTIONS TO SHAREHOLDERS

Distributions to shareholders are recorded on the ex-date.

The amount and character of income and gains to be distributed are determined in accordance with income tax regulations which may differ from generally accepted accounting principles.

NOTE 3. FEES AND COMPENSATION PAID TO AFFILIATES

ADMINISTRATION FEE

Colonial Management Associates, Inc. (the Administrator) is the administrator of the Fund and furnishes accounting and other services and office facilities for a monthly fee equal to 0.10% annually of the Fund's average net assets.

BOOKKEEPING FEE

The Administrator provides bookkeeping and pricing services for \$18,000 per year plus 0.0233% of the Fund's average net assets over \$50 million.

TRANSFER AGENT

Colonial Investors Service Center, Inc. (the Transfer Agent), an affiliate of the Administrator, provides shareholder services and receives a monthly fee equal to 0.20% annually of the Fund's average net assets, and receives a reimbursement for certain out of pocket expenses.

UNDERWRITING DISCOUNTS, SERVICE AND DISTRIBUTION FEES

The Administrator, through its Colonial Investment Services (the Distributor) division, is the Fund's principal underwriter. During the period ended April 30, 1995, the Distributor retained net underwriting discounts of \$4,624 on sales of the Fund's Class A shares and received no contingent deferred sales charges (CDSC) on Class B or Class D share redemptions.

The Fund has adopted a 12b-1 plan which requires it to pay the Distributor a service fee equal to 0.25% annually of the Fund's net assets as of the 20th of each month. The plan to the Distributor equal to 0.75% for Class B and Class D of the average net assets attributable to Class B and Class D shares, respectively.

The CDSC and the fees received from the 12b-1 plan are used principally as repayment to the Distributor for amounts paid by the Distributor to dealers who sold such shares.

OTHER

The Fund pays no compensation to its officers, all of whom are employees of the Administrator.

The Fund's Trustees may participate in a deferred compensation plan which may be terminated at any time. Obligations of the plan will be paid solely out of the Fund's assets.

NOTE 4. RESULTS OF SPECIAL SHAREHOLDERS MEETING

On March 17, 1995, a special meeting of shareholders was held and the Agreement and Plan of Reorganization dated as of December 29, 1994 between Liberty Financial Trust on behalf of the Liberty Financial Utilities Fund and Colonial Trust III on behalf of the Colonial Global Utilities Fund, including the termination of the Liberty Financial Utilities Fund as provided therein, was approved and became effective March 27, 1995. Also approved and effective March 27, 1995, was a temporary amendment to the investment restriction of the Liberty Financial Utilities Fund concerning its ownership of more than 10% of the voting securities of any one issuer. Out of the 24,247,355 shares of beneficial interest outstanding, 14,118,488 shares were voted for, and 464,689 shares were voted against the Fund's Agreement and Plan of Reorganization and the temporary amendment, and 1,231,882 shares abstained. Of the shares of beneficial interest outstanding that abstained, 18,254 represented broker non-votes.

<TABLE>

FINANCIAL HIGHLIGHTS - COLONIAL GLOBAL UTILITIES FUND

Selected data for a share of each class outstanding throughout each period are as follows:

<CAPTION>

| | (UNAUDITED) SIX MONTHS ENDED APRIL 30 | | | YEAR ENDED OCTOBER 31 | | | PERIOD ENDED OCTOBER 31 |
|---|---|------------|------------|--------------------------|-----------|----------|-------------------------------|
| | 1995 | | | 1994 | 1993 | 1992 | 1991 (C) |
| | CLASS A | CLASS B(B) | CLASS D(B) | CLASS A | CLASS A | CLASS A | CLASS A |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| Net asset value - Beginning of period.... | \$ 10.610 | \$10.420 | \$10.420 | \$ 12.150 | \$ 10.430 | \$ 9.990 | \$10.000 |

| | | | | | | | |
|--|-----------|----------|----------|-----------|-----------|-----------|--------------|
| Income from investment operations: | | | | | | | |
| Net investment income (a)..... | 0.319 | 0.048 | 0.048 | 0.550 | 0.570 | 0.590 | 0.020 |
| Net realized and unrealized gain (loss) on investments..... | (0.617) | 0.136 | 0.136 | (1.430) | 1.790 | 0.460 | (0.030) |
| Total from investment operations..... | (0.298) | 0.184 | 0.184 | (0.880) | 2.360 | 1.050 | (0.010) |
| Less distributions declared to shareholders: | | | | | | | |
| From net investment income..... | 0.259 | 0.036 | 0.036 | (0.500) | (0.610) | (0.610) | 0.000 |
| From realized gains | 0.069 | 0.000 | 0.000 | (0.160) | (0.030) | 0.000 | 0.000 |
| Total distributions declared to shareholders..... | 0.328 | 0.036 | 0.036 | (0.660) | (0.640) | (0.610) | 0.000 |
| Net asset value - End of period..... | \$ 10.640 | \$10.640 | \$10.640 | \$ 10.610 | \$ 12.150 | \$ 10.430 | \$ 9.990 |
| Total return(d)..... | 3.49%(e) | N/A | N/A | (7.40)% | 23.30% | 10.80% | (2.10)% (f) |
| Ratios to average net assets | | | | | | | |
| Expenses(a)..... | 1.25%(f) | 2.00%(f) | 2.00%(f) | 1.20% | 1.13% | 1.25%(g) | 1.25%(f) (g) |
| Net investment income..... | 6.05%(f) | 5.30%(f) | 5.30%(f) | 4.90% | 4.80% | 5.81%(h) | 5.75%(f) (h) |
| Net assets at end of period (000)..... | \$230,519 | \$ 263 | \$ 258 | \$260,450 | \$304,500 | \$118,977 | \$ 6,617 |

<FN>

- (a) The per share amounts and ratios reflect income and expenses assuming inclusion of the Fund's proportionate share of the income and expenses of LFC Utilities Trust.
- (b) Class B and Class D shares were initially offered on March 27, 1995. Per share amounts reflect activity from that date.
- (c) The Fund commenced investment operations on August 23, 1991.
- (d) Total return based on net asset value with all distributions reinvested.
- (e) Not annualized.
- (f) Annualized.
- (g) If the Fund had paid all of its expenses excluding distribution fees waived and there had been no reimbursement from the Investment Adviser and the Administrator, these ratios would have been 1.61% and 9.81% for the periods ended October 31, 1992 and 1991, respectively.
- (h) Computed giving effect to Investment Adviser's and Administrator's expense limitation undertaking.

</TABLE>

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ABOUT OUR COVER...

[GRAPHIC] The symbol on the cover of this Report represents the Fund's primary investment focus on common stocks.

Colonial Global Utilities Fund mails one shareholder report to each shareholder address. If you would like more than one report, please call our Literature Department at 1-800-248-2828 and additional reports will be sent to you.

SHAREHOLDER SERVICES AND TRANSFER AGENT
Colonial Investors Service Center, Inc.
P.O. Box 1722
Boston, MA 02105-1722
1-800-345-6611

This material may be used with potential investors if it is preceded or accompanied by a current Fund prospectus containing more complete information including fees, risks and expenses.

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[LOGO] COLONIAL
MUTUAL FUNDS

[GRAPHIC]

COLONIAL
GLOBAL UTILITIES
FUND

SEMIANNUAL REPORT
APRIL 30, 1995

[LOGO] COLONIAL
MUTUAL FUNDS

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