

NATIONAL AUSTRALIA BANK LTD
Form 6-K
March 21, 2006

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON DC 20549

FORM 6-K

REPORT OF FOREIGN ISSUER

Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

For the month of March 2006

National Australia Bank Limited

ACN 004 044 937

(Registrant's Name)

Level 24

500 Bourke Street

MELBOURNE VICTORIA 3000

AUSTRALIA

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Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F

Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes

No

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82

Group Corporate Affairs
500 Bourke Street, Melbourne
Victoria 3000
Australia

www.nabgroup.com

ABN 12 004 044 937

ASX Announcement

Melbourne, Monday 20 March 2006

Bank of New Zealand General Disclosure Statement

National Australia Bank today released the General Disclosure Statement for the Bank of New Zealand that is prepared to meet a regulatory requirement.

The Bank of New Zealand General Disclosure Statement this year reflects the transition to the International Financial Reporting Standards.

Due to the adoption of NZ IAS 32 Financial Instruments: Disclosure and Presentation, NZ IAS 39 Financial Instruments: Recognition and Measurement and NZ IFRS 4 Insurance Contracts on 1 October 2005, some numbers included in the income statement on page 6 in the current financial period may not be comparable to the prior period.

Please refer to Note 1 contained in the General Disclosure Statement covering Principal Accounting Policies and Note 29 Transition to New Zealand Equivalents to International Financial Reporting Standards for further details.

For further information:

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Bank of New Zealand
General Short Form Disclosure Statement

For the three months ended 31 December 2005

No. 40

General Short Form Disclosure Statement

For the three months ended 31 December 2005

This General Short Form Disclosure Statement has been issued by Bank of New Zealand for the three months ended 31 December 2005 in accordance with the Registered Bank Disclosure Statement (Off-Quarter New Zealand Incorporated Registered Banks) Order 2005 (the Order).

In this General Short Form Disclosure Statement, unless the context otherwise requires:

- a) Banking Group means Bank of New Zealand and all of its controlled entities; and
- b) Words and phrases defined by the Order have the same meanings.

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Address for Service

The name of the Registered Bank is Bank of New Zealand (referred to either by its full name or as the **Bank** or the **Company**) and its address for service is Level 14, BNZ Tower, 125 Queen Street, Auckland, New Zealand.

Details of Incorporation

The Bank was incorporated on 29 July 1861 under The New Zealand Bank Act 1861. On 14 March 1989, the Bank became, by virtue of an Order in Council made pursuant to section 4 of the Bank of New Zealand Act 1988, a company limited by shares incorporated and registered under the Companies Act 1955. On 24 March 1997, the Bank was reregistered under the Companies Act 1993.

Voting Securities and Power to Appoint Directors

National Australia Group (NZ) Limited, National Australia Bank Limited and National Equities Limited are the only holders of a direct or indirect qualifying interest in the voting securities of the Bank. There are 2,470,997,499 voting securities of the Bank. National Australia Group (NZ) Limited is the registered and beneficial holder of 2,470,997,499 voting securities. Neither National Australia Bank Limited (the ultimate parent company) nor National Equities Limited (the immediate parent company of National Australia Group (NZ) Limited) is the registered or the beneficial holder of any of the voting securities of the Bank but each has a relevant interest in all of such securities by virtue of National Australia Group (NZ) Limited being related to them in terms of section 5(7) of the Securities Markets Act 1988.

The ultimate parent company has the power under the Bank's constitution to appoint any person as Director of the Bank or to remove any person from the office of Director, from time to time by giving written notice to the Bank. All appointments of Directors must be approved by the Reserve Bank of New Zealand.

Guarantors

The material obligations of the Bank are not guaranteed.

Insurance Business

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The Banking Group does not conduct any Insurance Business, as defined in clause 3(i) of Bank of New Zealand's Conditions of Registration set out on pages 50 and 51.

Ultimate Parent Bank

Ultimate Parent Bank and Address for Service

The ultimate parent bank of Bank of New Zealand is National Australia Bank Limited whose address for service is Level 24, 500 Bourke Street, Melbourne, Victoria 3000, Australia.

Legally Enforceable Restrictions that may Materially Inhibit National Australia Bank Limited's Legal Ability to Provide Material Financial Support to Bank of New Zealand

National Australia Bank Limited does not guarantee the obligations of Bank of New Zealand.

Pursuant to the Banking Act 1959 (Cth), the Australian Prudential Regulation Authority has issued a legally enforceable prudential standard which restricts associations between an authorised deposit-taking institution (such as National Australia Bank Limited) and its related entities.

Any provision of material financial support to Bank of New Zealand by National Australia Bank Limited would need to comply with the following pertinent requirements of the prudential standard:

1. National Australia Bank Limited should not undertake any third-party dealings with the prime purpose of supporting the business of Bank of New Zealand. National Australia Bank Limited must avoid giving any impression of its support unless there are formal legal arrangements in place providing for such support.
2. National Australia Bank Limited should not hold unlimited exposures to Bank of New Zealand.
3. National Australia Bank Limited should not enter into cross-default clauses whereby a default by Bank of New Zealand on an obligation (whether financial or otherwise) is deemed to trigger a default of National Australia Bank Limited in its obligations.
4. In determining limits on acceptable levels of exposure to Bank of New Zealand, the Board of Directors of National Australia Bank Limited should have regard to the level of exposures which would be approved for unrelated

entities of broadly equivalent credit status, and the impact on National Australia Bank Limited's stand-alone capital and liquidity positions, as well as its ability to continue operating, in the event of a failure of any related entity to which National Australia Bank Limited is exposed.

5. National Australia Bank Limited's exposure to Bank of New Zealand cannot exceed 50% of National Australia Bank Limited's stand-alone capital base, and its aggregate exposure to all related authorised deposit-taking institutions cannot exceed 150% of that capital base. Exposures in excess of these limits require the prior approval of the Australian Prudential Regulation Authority.

The Australian Prudential Regulation Authority has broad powers under the Banking Act 1959 (Cth) to give legally enforceable directions to National Australia Bank Limited in circumstances, for example, where it considers that National Australia Bank Limited has not complied with prudential standards or that it is in the interests of National Australia Bank Limited's deposit holders to do so. In the event that National Australia Bank Limited becomes unlikely to be able to meet its obligations or is about to suspend payments, the Australian Prudential Regulation Authority has the power to take control of National Australia Bank Limited's business or appoint an administrator to National Australia Bank Limited's affairs.

The priority of the creditors of National Australia Bank Limited in the event that National Australia Bank Limited is unable to meet its obligations is governed by various Australian laws, including the Banking Act 1959 (Cth). That Act provides that the assets of National Australia Bank Limited in Australia are to be available to meet its deposit liabilities in Australia in priority to all other liabilities.

Directorate and Auditor

Communications addressed to the Directors and responsible persons, or any of them, may be sent to Level 14, BNZ Tower, 125 Queen Street, Auckland, New Zealand.

Changes in Directors

The name, occupation, technical or professional qualifications, country of residence, date of appointment, and directorships of the Director of the Bank appointed since the date of the previous Disclosure Statement, being 9 December 2005, are as follows:

Non-executive Director

Cameron Anthony Clyne

Executive General Manager Group Development

National Australia Bank Limited

B.A.

Australia

Appointed as Director on 14 February 2006

Directorships:

Melcam Pty Limited

Camel Nominees Pty Limited

Responsible Persons

Messrs. Thomas Kirriemuir McDonald and Peter Leonard Thodey, whose occupations, professional qualifications, countries of residence, and directorships are disclosed in the General Disclosure Statement for the year ended 30 September 2005, have been authorised in writing to sign this Disclosure Statement in accordance with section 82 of the Reserve Bank of New Zealand Act 1989, on behalf of the other Directors, being:

Cameron Anthony Clyne

Pamela Adrienne Jefferies, O.B.E.

Edwin Gilmour Johnson

Dr Susan Carrel Macken

Ross Edward Pinney

Heughan Bassett Rennie, C.B.E., Q.C.

Janine Laurel Smith

John Douglas Storey, O.N.Z.M.

Auditor

This General Short Form Disclosure Statement has been subject to independent review by Ernst & Young. The scope of this review has been in accordance with section 15(2) of the Registered Bank Disclosure Statement (Full and Half-Year New Zealand Incorporated Registered Banks) Order 2005 and the Review Engagement Standards issued by the Institute of Chartered Accountants of New Zealand. Ernst & Young's independent review report can be found on page 48.

Comparative information relating to 30 September 2005 is disclosed in this General Short Form Disclosure Statement as being unaudited. This is because Ernst & Young have performed an independent review of the impact of the transition to New Zealand equivalents to International Financial Reporting Standards on this comparative information rather than a full-scope audit. The next full-scope audit will be performed for the year ending 30 September 2006.

Income Statement

For the three months ended 31 December 2005

Dollars in Millions	Note	Unaudited 3 Months 31/12/05	Consolidated Unaudited 3 Months 31/12/04	Unaudited 12 Months 30/9/05
Interest income		874	744	3,134
Interest expense		620	506	2,173
Net interest income		254	238	961
Gains less losses on financial instruments at fair value	2	27		
Net trading gains			21	99
Other operating income	3	141	139	551
Total operating income		422	398	1,611
Operating expenses	3	213	241	888
Total operating profit before impairment losses and income tax expense		209	157	723
Impairment losses on credit exposures	13	9		37
Total operating profit before income tax expense		200	157	686
Income tax expense		61	40	161
Net profit attributable to shareholder of Bank of New Zealand		139	117	525

The accounting policies and other notes form part of, and should be read in conjunction with, these interim financial statements.

Due to the adoption of NZ IAS 32 Financial Instruments: Disclosure and Presentation, NZ IAS 39 Financial Instruments: Recognition and Measurement and NZ IFRS 4 Insurance Contracts on 1 October 2005, some numbers in the current financial period may not be comparable to the prior period. Please refer to Note 1 Principal Accounting Policies and Note 29 Transition to New Zealand Equivalents to International Financial Reporting Standards for further details.

Statement of Recognised Income and Expense

For the three months ended 31 December 2005

Dollars in Millions	Note	Unaudited 3 Months 31/12/05	Consolidated Unaudited 3 Months 31/12/04	Unaudited 12 Months 30/9/05
Changes in items recognised directly in equity during the period:				
Net change in asset revaluation reserve				2
Net change in foreign currency translation reserve			(1)	
Net change in cash flow hedge reserve		(1)		
Net actuarial losses on defined benefit pension scheme				(2)
Total changes in items recognised directly in equity		(1)	(1)	
Net profit attributable to shareholder of Bank of New Zealand		139	117	525
Total recognised income and expense for the period	18	138	116	525

The accounting policies and other notes form part of, and should be read in conjunction with, these interim financial statements.

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Balance Sheet

As at 31 December 2005

Dollars in Millions	Note	Unaudited 31/12/05	Consolidated Unaudited 31/12/04	Unaudited 30/9/05
Assets				
Cash and balances with central banks	6	403	268	132
Due from other financial institutions	7	1,098	1,163	720
Trading securities	8	1,918	2,002	1,163
Other money market placements	9	727	590	615
Investments available for sale	10	50	5	
Investments held to maturity	11	467	870	1,072
Loans and advances to customers	12	39,454	35,071	37,829
Derivative financial instruments		972	967	897
Amounts due from related entities		161	176	170
Property, plant and equipment		573	580	554
Deferred tax assets		99	119	159
Goodwill and other intangible assets		112	109	107
Other assets		527	510	565
Total assets		46,561	42,430	43,983
Financed by:				
Liabilities				
Due to central banks and other financial institutions	15	1,683	1,491	1,685
Other money market deposits	16	10,768	9,256	8,081
Trading liabilities		307	385	245
Deposits from customers	17	20,912	19,299	20,685
Derivative financial instruments		1,147	1,861	1,321
Bonds and notes		1,861	544	583
Amounts due to related entities		5,132	5,669	7,114
Current tax liabilities		41	10	12
Deferred tax liabilities		51	95	63
Subordinated loans from related entities		1,205	905	905
Other liabilities		614	461	501
Total liabilities		43,721	39,976	41,195
Shareholder's equity				
Contributed equity		1,451	1,451	1,451
Reserves	19	(5)	(1)	2
Retained profits		1,394	1,004	1,335
Total shareholder's equity	18	2,840	2,454	2,788
Total liabilities and shareholder's equity		46,561	42,430	43,983

Each of the 2,470,997,499 ordinary shares entitles the shareholder to one vote at any meeting of shareholders.

The paid in capital is included in tier one capital of the Banking Group.

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The accounting policies and other notes form part of, and should be read in conjunction with, these interim financial statements.

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Cash Flow Statement

For the three months ended 31 December 2005

Dollars in Millions	Note	Unaudited 3 Months 31/12/05	Consolidated Unaudited 3 Months 31/12/04	Unaudited 12 Months 30/9/05					
Cash flows from operating activities									
Cash was provided from:									
Interest income		840	717	3,079					
Net trading income and movements in derivative financial instruments			49	174					
Other income		141	167	667					
Cash was applied to:									
Interest expense		(622)	(494)	S&P					
	SCHNEIDER		PZENA	MATRIX	CHASE	TCW	FUND	500 INDEX	
Number of Holdings	47		41	36	39	27	162*	500	
Percent of Holdings In Top 10	50%		40%	38%	43%	62%	19%	19%	
Weighted Average Market Capitalization (Billions)	\$ 28	\$	73	\$ 115	\$ 91	\$ 53	\$ 73	\$ 102	
Average Five-Year Earnings Per Share Growth	16%		12%	17%	29%	37%	22%	21%	
Dividend Yield	1.4%		2.1%	1.7%	1.1%	0.5%	1.4%	1.8%	
Price/Earnings Ratio	15x		13x	15x	20x	22x	17x	16x	
Price/Book Value Ratio	2.9x		2.6x	3.2x	5.9x	5.4x	3.9x	3.8x	

* Certain holdings are held by more than one manager.

LIBERTY ALL-STAR® EQUITY FUND

MANAGER INTERVIEW

David A. Katz, CFA

President and Chief

Investment Officer

Matrix Asset

Advisors, Inc.

Matrix constructs portfolios with an optimal balance of diversification and concentration

Matrix Asset Advisors, Inc. employs an opportunistic value-oriented investment philosophy. Matrix believes that value can be found in all sectors of the economy, and thus looks for investment opportunities beyond traditional value industries. The firm follows a systematic and rigorous investment process using both quantitative and qualitative analysis and adheres to a strict sell discipline. We recently had the opportunity to interview the firm's President and Chief Investment Officer, David A. Katz. The Fund's Investment Adviser, ALPS Advisors, Inc., moderated the interview.

What's your take on the first half of the year? After a flattish first quarter (+0.6 percent for the S&P 500), the market posted a strong second quarter (+6.3 percent including a new record high for the same S&P 500).

Most of the year has played out as we thought it would. The overall equity environment is favorable, we think valuations are pretty reasonable, the economy continues to muddle along, and although there's a question about what the Federal Reserve will do in the upcoming months and quarters, we think the vast majority of the interest rate increase cycle is behind us. All of that, coupled with a great deal of liquidity in the market and a high level of merger and acquisition activity, has given the market a positive bias.

because value has done so well in the last half-dozen years and because growth has done so poorly, a lot of growth stocks started to meet our valuation criteria.

The one thing that has not happened that we thought would occur is a continuation of mega-cap companies recapturing some of their lost luster. Our very strong sense is that this is a speed bump rather than a change in direction. Mega-caps were strong in the second half of 2006 and that made '06 the first year in a long time that the large caps and mega-caps were either on a par with the small and mid-sized companies or actually a little ahead. While the underlying environment and the outlook for the group have gotten a lot better in the first six months of this year,

mega-cap stocks haven't kept pace and wound up lagging the small and mid-sized capitalization range of the market.

Growth outperformed value this quarter. Matrix is not exactly a traditional value manager, so whichever style is in favor may not make much of a difference to you. Is that true?

Actually, we are very well positioned for growth coming back into favor. We are a value manager, we look at the world through value glasses and we always pay attention to fundamentals and what a business is worth. Traditionally, we are helped by a value market. That said, however, because

value has done so well in the last half-dozen years and because growth has done so poorly, a lot of growth stocks started to meet our valuation criteria. So, if you look at our portfolio today, we are very heavily weighted toward the fallen growth angels of the past. These are wonderful businesses with great records that in 1999 were selling at 35 to 40 times earnings. Today, they're selling at about 13 to 15 times earnings. So, our sense going into the year was that growth would start to do better on both an absolute and relative basis. You're seeing the very early signs of that and that plays very well to the portfolio's positioning.

from an economic standpoint, the U.S. is slowing while international markets are showing economic strength. That makes mega-cap multinational companies good places to invest.

You mentioned the fallen angels when we spoke for the annual report roundtable. So, it seems you are still finding some of your more attractive opportunities among those stocks.

Basically, we think that the fallen angels and the mega-cap growth companies are doing very well on the business front, yet the majority of these stocks have not done anything. So, the fact that they've had a mediocre first six months of the year just gives us even greater confidence in the outlook for the balance of the year and into next. Companies like American International Group, Citigroup, Wal-Mart, and Comcast are great businesses with very strong fundamentals whose stocks haven't done anything. In addition, if you look at where we are from an economic standpoint, the U.S. is slowing while international markets are showing economic strength. That makes mega-cap multinational companies good places to invest.

To what extent do you factor in macro or top-down considerations into your investment process, or is it solely a fundamentally-driven, bottom-up process?

We are a bottom-up, fundamental manager. The first step in our investment process is quantitative analysis that whittles a universe of 1,500 companies down to 100 or so attractive businesses. Then, we turn to qualitative and fundamental analysis to evaluate that group stock by stock. One facet of our fundamental analysis is a catalyst assessment in which we take into consideration any macro factors that may enter in. But macro factors don't drive the investment decision. So, for example, when we talk about the mega-cap companies we believe that they've become timelier because their fundamentals are more attractive at the same time you've got a slowdown in the fundamentals of mid-sized companies. That makes mega-caps more compelling on a relative basis.

Your portfolios are usually fairly concentrated both in number of holdings and in sector exposure. Is that a reflection of conviction, a better way to add value or to avoid looking like an index?

We're great believers that you get your best investment returns by having a focused portfolio—diversified, yet focused on your best ideas. The optimal portfolio diversification that we found, in terms of risk and return, comes from having 30 to 40 stocks. That way, you're diversifying your risk from any

given name, but you really can focus on the stocks that you like best. So, it really is a stock picker's portfolio. We invest our own money right in our portfolio as we're all clients of the firm. We happen to believe that if most money managers have their druthers they would prefer to invest in a 30- to 45-stock portfolio. But, many are constrained simply because their firms are too big and they've got to buy 100 to 200 stocks simply to put all that money to work.

We're great believers that you get your best investment returns by having a focused portfolio — diversified, yet focused on your best ideas.

What's a recent addition to the portion of the Liberty All-Star equity Fund that you manage ... and what's a recent liquidation from the portfolio?

We recently added Covidien, Ltd. To the portfolio in a fairly meaningful way. The company is a spin-out from Tyco International, Ltd., which split into three pieces: Covidien, Tyco Electronics and Tyco International, Ltd. We like all of the pieces but we like Covidien best based on today's valuation.

Covidien is one of the nation's largest medical products companies, providing instruments, pharmaceuticals and imaging solutions. Generally, we think that the split will allow management to run the business in a much more efficient, shareholder-oriented manner. As a part of Tyco, the business had underperformed in terms of earnings and margins. Now, being a more focused company will allow management to get its act together. The compelling part of the investment case is that medical instrument companies consistently sell north of three and one-half times sales and Covidien is priced at about two times sales. So our strong sense is that as an independent company Covidien will come up and match industry valuations or will be acquired by a strategic partner. So, we look at it as a win/win.

That leads into our sale. The last time we spoke for a quarterly report interview we singled out Medimmune as a stock we liked. We thought it was a good business as an independent company, but also felt it made a great deal of sense to be owned by a larger player in the drug group. And in this last quarter Medimmune agreed to be acquired by another large healthcare company, AstraZeneca. Medimmune was one of our largest positions, and our original per-share cost was in the mid-20s. AstraZeneca paid \$58 a share for the company and we sold into that strength.

Many thanks for the comments.

LIBERTY ALL-STAR[®] EQUITY FUND**SCHEDULE OF INVESTMENTS***as of June 30, 2007 (unaudited)*

	SHARES		MARKET VALUE
COMMON STOCKS (96.76%)			
CONSUMER DISCRETIONARY (10.99%)			
Auto Components (0.72%)			
Magna International, Inc., Class A	87,775	\$	7,986,647
Visteon Corp. (a)	302,000		2,446,200
			10,432,847
Hotels, Restaurants & Leisure (0.93%)			
Carnival Corp.	48,925		2,386,072
McDonald's Corp.	217,300		11,030,148
			13,416,220
Household Durables (1.67%)			
Centex Corp.	146,725		5,883,673
Pulte Homes, Inc.	429,645		9,645,530
Whirlpool Corp.	76,825		8,542,940
			27,072,143
Internet & Catalog Retail (1.57%)			
Amazon.com, Inc. (a)	331,280		22,662,865
Media (3.36%)			
Comcast Corp., Class A (a)	353,000		9,869,880
Liberty Media Corp., Capital, Series A (a)	44,454		5,231,347
The McGraw-Hill Companies, Inc.	80,300		5,466,824
Time Warner, Inc.	582,000		12,245,280
The Walt Disney Co.	281,100		9,596,754
XM Satellite Radio Holdings, Inc., Class A (a)	501,550		5,903,243
			48,313,328
Multi-line Retail (0.53%)			
Dollar General Corp.	347,000		7,606,240
Specialty Retail (2.21%)			
GameStop Corp., Class A (a)	31,600		1,235,560
The Gap, Inc.	512,000		9,779,200
Home Depot, Inc.	194,600		7,657,510
Staples, Inc.	278,650		6,612,365
TJX Companies, Inc.	236,650		6,507,875
			31,792,510

See Notes to Schedule of Investments and Financial Statements

	SHARES	MARKET VALUE
COMMON STOCKS (continued)		
CONSUMER STAPLES (4.33%)		
Beverages (1.53%)		
The Coca-Cola Co.	214,700	\$ 11,230,957
PepsiCo, Inc.	167,600	10,868,860
		22,099,817
Food & Staples Retailing (1.94%)		
CVS Caremark Corp.	73,000	2,660,850
Walgreen Co.	51,900	2,259,726
Wal-Mart Stores, Inc.	480,075	23,096,408
		28,016,984
Food Products (0.86%)		
Kraft Foods, Inc.	174,575	6,153,769
Sara Lee Corp.	191,923	3,339,460
Smithfield Foods, Inc. (a)	14,675	451,843
Tyson Foods, Inc., Class A	104,000	2,396,160
		12,341,232
ENERGY (7.77%)		
Energy Equipment & Services (2.00%)		
Schlumberger Ltd.	338,430	28,746,244
Oil, Gas & Consumable Fuels (5.77%)		
Arch Coal, Inc.	274,800	9,563,040
BP PLC (b)	88,200	6,362,748
Cameco Corp.	90,900	4,612,266
Chevron Corp.	140,500	11,835,720
ConocoPhillips	143,000	11,225,500
Consol Energy, Inc.	304,175	14,025,509
Devon Energy Corp.	52,000	4,071,080
Exxon Mobil Corp.	158,800	13,320,144
Massey Energy Co.	305,950	8,153,568
		83,169,575
FINANCIALS (24.20%)		
Capital Markets (2.05%)		
The Bank of New York Co., Inc.	68,100	2,822,064
Franklin Resources, Inc.	24,100	3,192,527
Lehman Brothers Holdings, Inc.	40,275	3,001,293
Merrill Lynch & Co., Inc.	47,300	3,953,334
Morgan Stanley	197,375	16,555,815
		29,525,033

See Notes to Schedule of Investments and Financial Statements

	SHARES	MARKET VALUE
COMMON STOCKS (continued)		
Commercial Banks (1.24%)		
Comerica, Inc.	93,825	\$ 5,579,773
Commerce Bancorp, Inc.	332,210	12,288,448
		17,868,221
Consumer Finance (0.56%)		
Capital One Financial Corp.	62,375	4,892,695
SLM Corp.	54,000	3,109,320
		8,002,015
Diversified Financial Services (4.32%)		
Bank of America Corp.	387,075	18,924,097
Citigroup, Inc.	674,825	34,611,774
JPMorgan Chase & Co.	181,000	8,769,450
		62,305,321
Insurance (8.78%)		
The Allstate Corp.	182,500	11,225,575
American International Group, Inc.	213,550	14,954,906
Aon Corp.	72,650	3,095,617
Fidelity National Financial, Inc.	252,825	5,991,952
First American Corp.	138,175	6,839,662
Genworth Financial, Inc., Class A	193,625	6,660,700
Hartford Financial Services Group, Inc.	53,700	5,289,987
Lincoln National Corp.	61,500	4,363,425
MBIA, Inc.	31,925	1,986,374
MetLife, Inc.	195,300	12,592,944
The Progressive Corp.	1,037,470	24,826,657
RenaissanceRe Holdings Ltd.	53,225	3,299,418
Torchmark Corp.	166,300	11,142,100
Unum Group	61,850	1,614,904
XL Capital Ltd., Class A	149,025	12,561,317
		126,445,538
RealEstate Investment Trusts (1.07%)		
Annaly Capital Management, Inc.	1,068,025	15,400,921

See Notes to Schedule of Investments and Financial Statements

	SHARES	MARKET VALUE
COMMON STOCKS (continued)		
Thrifts & Mortgage Finance (6.18%)		
Countrywide Financial Corp.	775,875	\$ 28,203,056
Fannie Mae	448,541	29,303,184
Freddie Mac	336,650	20,434,655
Hudson City Bancorp, Inc.	75,850	926,887
IndyMac Bancorp, Inc.	113,950	3,323,921
Radian Group, Inc.	17,875	965,250
Washington Mutual, Inc.	137,425	5,859,802
		89,016,755
HEALTH CARE (11.93%)		
Biotechnology (2.49%)		
Amgen, Inc. (a)	82,350	4,553,132
Cephalon, Inc. (a)	51,100	4,107,929
Genentech, Inc. (a)	114,600	8,670,636
Genzyme Corp. (a)	112,900	7,270,760
Gilead Sciences, Inc. (a)	291,400	11,297,578
		35,900,035
Health Care Equipment & Supplies (3.50%)		
Baxter International, Inc.	75,400	4,248,036
Becton Dickinson & Co.	37,900	2,823,550
Boston Scientific Corp. (a)	637,175	9,774,264
Covidien Ltd. (a)	291,225	12,551,798
St. Jude Medical, Inc. (a)	99,500	4,128,255
Stryker Corp.	87,700	5,532,993
Varian Medical Systems, Inc. (a)	145,700	6,193,707
Zimmer Holdings, Inc. (a)	60,800	5,161,312
		50,413,915
Health Care Providers & Services (1.24%)		
AmerisourceBergen Corp.	104,625	5,175,799
Omnicare, Inc.	188,100	6,782,886
WellPoint, Inc. (a)	74,300	5,931,369
		17,890,054
Health Care Technology (0.33%)		
Cerner Corp. (a)	84,732	4,700,084

See Notes to Schedule of Investments and Financial Statements

	SHARES	MARKET VALUE
COMMON STOCKS (continued)		
Pharmaceuticals (4.37%)		
Bristol-Myers Squibb Co.	198,775	\$ 6,273,339
Johnson & Johnson	242,575	14,947,471
Pfizer, Inc.	763,200	19,515,024
Teva Pharmaceutical Industries Ltd. (b)	283,000	11,673,750
Wyeth	185,000	10,607,900
		63,017,484
INDUSTRIALS (11.06%)		
Aerospace & Defense (4.34%)		
The Boeing Co.	49,950	4,803,192
Bombardier, Inc., Class B (a)	934,325	5,613,406
General Dynamics Corp.	138,800	10,856,936
Goodrich Corp.	64,200	3,823,752
L-3 Communications Holdings, Inc.	25,300	2,463,967
Lockheed Martin Corp.	73,700	6,937,381
Northrop Grumman Corp.	64,675	5,036,242
Precision Castparts Corp.	29,600	3,592,256
Rockwell Collins, Inc.	113,900	8,045,896
United Technologies Corp.	159,900	11,341,707
		62,514,735
Air Freight & Logistics (0.94%)		
C.H. Robinson Worldwide, Inc.	149,845	7,869,859
Expeditors International of Washington, Inc.	135,090	5,579,217
		13,449,076
Airlines (0.01%)		
Southwest Airlines Co.	13,100	195,321
Industrial Conglomerates (2.47%)		
3M Co.	126,500	10,978,935
General Electric Co.	511,300	19,572,564
Tyco International Ltd.	93,250	5,005,660
		35,557,159

See Notes to Schedule of Investments and Financial Statements

	SHARES	MARKET VALUE
COMMON STOCKS (continued)		
Machinery (2.85%)		
AGCO Corp. (a)	191,800	\$ 8,326,038
Danaher Corp.	59,800	4,514,900
Deere & Co.	84,800	10,238,752
Navistar International Corp. (a)	272,200	17,965,200
		41,044,890
Road & Rail (0.45%)		
CSX Corp.	80,025	3,607,527
Union Pacific Corp.	25,150	2,896,022
		6,503,549
INFORMATION TECHNOLOGY (21.74%)		
Communications Equipment (4.25%)		
Alcatel-Lucent (b)	901,648	12,623,072
Cisco Systems, Inc. (a)	800,700	22,299,495
Garmin Ltd.	48,200	3,565,354
Motorola, Inc.	130,825	2,315,602
QUALCOMM, Inc.	470,500	20,414,995
		61,218,518
Computers & Peripherals (3.51%)		
Dell, Inc. (a)	671,975	19,184,886
EMC Corp. (a)	585,900	10,604,790
Hewlett-Packard Co.	187,800	8,379,636
Network Appliance, Inc. (a)	421,715	12,314,078
		50,483,390
Electronic Equipment & Instruments (1.12%)		
AU Optronics Corp. (b)	520,803	8,957,812
Celestica, Inc. (a)	298,100	1,863,125
Tyco Electronics Ltd. (a)	137,225	5,360,008
		16,180,945
Internet Software & Services (2.42%)		
eBay, Inc. (a)	316,000	10,168,880
Google, Inc., Class A (a)	35,300	18,475,314
VeriSign, Inc. (a)	197,795	6,276,035
		34,920,229

See Notes to Schedule of Investments and Financial Statements

	SHARES	MARKET VALUE
COMMON STOCKS (continued)		
IT Services (3.17%)		
Accenture Ltd.	217,200	\$ 9,315,708
Affiliated Computer Services, Inc., Class A (a)	131,375	7,451,590
BearingPoint, Inc. (a)	479,930	3,508,288
Computer Sciences Corp. (a)	50,950	3,013,693
First Data Corp.	356,000	11,630,520
The Western Union Co.	513,000	10,685,790
		45,605,589
Semiconductors & Semiconductor Equipment (1.50%)		
Analog Devices, Inc.	90,800	3,417,712
Intel Corp.	385,000	9,147,600
International Rectifier Corp. (a)	110,553	4,119,205
Novellus Systems, Inc. (a)	74,800	2,122,076
NVIDIA Corp. (a)	66,300	2,738,853
		21,545,446
Software (5.77%)		
Autodesk, Inc. (a)	241,660	11,377,353
CA, Inc.	330,675	8,541,335
Microsoft Corp.	1,047,975	30,883,824
Oracle Corp. (a)	709,075	13,975,868
Salesforce.com, Inc. (a)	331,700	14,216,662
Symantec Corp. (a)	205,200	4,145,040
		83,140,082
MATERIALS (1.05%)		
Chemicals (0.79%)		
Cytec Industries, Inc.	29,850	1,903,535
Potash Corp. of Saskatchewan, Inc.	43,500	3,391,695
Praxair, Inc.	84,700	6,097,553
		11,392,783
Metals & Mining (0.26%)		
Allegheny Technologies, Inc.	36,000	3,775,680

See Notes to Schedule of Investments and Financial Statements

	SHARES	MARKET VALUE
COMMON STOCKS (continued)		
TELECOMMUNICATION SERVICES (1.87%)		
Wireless Telecommunication Services (1.87%)		
America Movil, S.A.B. de C.V. (b)	232,300	\$ 14,386,339
China Mobile Ltd. (b)	119,000	6,414,100
Mobile TeleSystems (b)	52,700	3,192,039
Sprint Nextel Corp.	140,200	2,903,542
		26,896,020
UTILITIES (1.82%)		
Electric Utilities (1.16%)		
Reliant Energy, Inc. (a)	619,475	16,694,851
Multi-Utilities (0.66%)		
Sempra Energy	78,675	4,659,920
Wisconsin Energy Corp., Series C	110,200	4,874,146
		9,534,066
TOTAL COMMON STOCKS (COST OF \$1,208,788,386)		\$ 1,393,807,707
EXCHANGETRADED FUNDS (0.04%)		
EXCHANGE TRADED FUNDS (0.04%)		
iShares Russell 1000 Value Index Fund (COST OF \$558,268)	6,350	550,799

See Notes to Schedule of Investments and Financial Statements

	PAR VALUE	MARKET VALUE
SHORT TERM INVESTMENTS (3.16%)		
REPURCHASE AGREEMENT (3.16%)		
Repurchase agreement with State Street Bank & Trust Co., dated 06/29/2007, due 07/02/2007 at 4.65%, collateralized by several U.S. Treasury Bonds with various maturity dates, market value of \$46,426,378 (repurchase proceeds of \$45,523,634) (COST OF \$45,506,000)	\$ 45,506,000	\$ 45,506,000
TOTAL INVESTMENTS (99.96%) (COST \$1,254,852,654)(C)		\$ 1,439,864,509
OTHER ASSETS IN EXCESS OF LIABILITIES (0.04%)		632,022
NET ASSETS (100.00%)		\$ 1,440,496,531
NET ASSETS PER SHARE (158,519,711 SHARES OUTSTANDING)		\$ 9.09

Notes to Schedule of Investments:

- (a) Non-income producing security
- (b) American Depositary Receipt
- (c) Cost of investments for federal income tax purposes is \$1,262,364,527

Gross unrealized appreciation and depreciation at June 30, 2007 based on cost of investments for federal income tax purposes is as follows:

Gross unrealized appreciation	\$ 222,603,682
Gross unrealized depreciation	(45,103,700)
Net unrealized appreciation	\$ 177,499,982

See Notes to Financial Statements

LIBERTY ALL-STAR® EQUITY FUND

STATEMENTS OF ASSETS AND LIABILITIES

June 30, 2007 (Unaudited)

ASSETS:		
Investments at market value (identified cost \$1,254,852,654)	\$	1,439,864,509
Cash		2,456
Receivable for investments sold		8,437,050
Dividends and interest receivable		997,979
Prepaid and other assets		124,520
TOTAL ASSETS		1,449,426,514
LIABILITIES:		
Payable for investments purchased		7,476,361
Investment advisory fees payable		822,694
Payable for administration, pricing and bookkeeping fees		169,470
Accrued expenses		461,458
TOTAL LIABILITIES		8,929,983
NET ASSETS	\$	1,440,496,531
NET ASSETS REPRESENTED BY:		
Paid-in capital (unlimited number of shares of beneficial interest without par value authorized; 158,519,711 shares outstanding)	\$	1,243,035,951
Undistributed net investment loss on investments and foreign currency transactions		(68,304,806)
Accumulated net realized gain on investments and foreign currency transactions		80,753,531
Net unrealized appreciation on investments and foreign currency translations		185,011,855
TOTAL NET ASSETS APPLICABLE TO OUTSTANDING SHARES OF BENEFICIAL INTEREST (\$9.09 PER SHARE)	\$	1,440,496,531

See Notes to Financial Statements

LIBERTY ALL-STAR® EQUITY FUND**STATEMENT OF OPERATIONS***June 30, 2007 (Unaudited)*

INVESTMENT INCOME:		
Dividends		\$ 9,185,494
Interest		1,450,213
TOTAL INVESTMENT INCOME (NET OF FOREIGN TAXES WITHHELD AT SOURCE WHICH AMOUNTED TO \$26,143)		
10,635,707		
EXPENSES:		
Investment advisory fee	\$ 4,870,537	
Administrative fee	1,217,167	
Pricing and bookkeeping fees	83,420	
Audit fees	25,063	
Custodian fee	44,811	
Legal fees	163,129	
NYSE fees	64,033	
Shareholder communication expenses	199,216	
Transfer agent fees	46,177	
Trustees fees and expenses	87,856	
Miscellaneous expenses	70,989	
TOTAL EXPENSES		
6,872,398		
NET INVESTMENT INCOME		
3,763,309		
REALIZED AND UNREALIZED GAIN ON INVESTMENTS AND FOREIGN CURRENCY:		
Net realized gain on:		
Investments	91,509,929	
Foreign currency transactions	154,312	
Net realized gain on investment transactions and foreign currency		
91,664,241		
Net unrealized appreciation on investments and foreign currency:		
Beginning of the year	156,123,347	
End of year	185,011,855	
Net change in unrealized appreciation		
28,888,508		
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS		
\$ 124,316,058		

See Notes to Financial Statements

LIBERTY ALL-STAR® EQUITY FUND

STATEMENT OF CHANGES IN NET ASSETS

	SIX MONTHS ENDED JUNE 30, 2007 (UNAUDITED)	YEAR ENDED DECEMBER 31, 2006
OPERATIONS		
Net investment income	\$ 3,763,309	\$ 5,752,110
Net realized gain on investment transactions and foreign currency	91,664,241	124,743,447
Net change in unrealized appreciation	28,888,508	(7,579,082)
Net increase in net assets resulting from operations	124,316,058	122,916,475
DISTRIBUTIONS DECLARED FROM:		
Net investment income	(72,068,115)	(5,753,686)
Net realized gain on investments		(124,889,788)
Paid-in capital		(5,402,964)
Total distributions	(72,068,115)	(136,046,438)
CAPITAL TRANSACTIONS		
Dividend reinvestments	16,482,541	16,734,378
Total increase in net assets	68,730,484	3,604,415
NET ASSETS:		
Beginning of year	1,371,766,047	1,368,161,632
End of year (including undistributed net investment income (loss) of \$(68,304,806) and \$0, respectively)	\$ 1,440,496,531	\$ 1,371,766,047

See Notes to Financial Statements

LIBERTY ALL-STAR® EQUITY FUND

FINANCIAL HIGHLIGHTS

	SIX MONTHS ENDED JUNE 30, 2007 (UNAUDITED)	
PER SHARE OPERATING PERFORMANCE:		
Net asset value at beginning of year	\$	8.76
Income from Investment Operations:		
Net investment income		0.03
Net realized and unrealized gain (loss) on investments and foreign currency		0.76
Total from Investment Operations		0.79
Less Distributions from:		
Net investment income		(0.46)
Net realized gain		
Paid-in capital		
Total Distributions		(0.46)
Change due to rights offering (a)		
Total Distributions and Rights Offering		(0.46)
Net asset value at end of period	\$	9.09
Market price at end of period	\$	8.98
TOTAL INVESTMENT RETURN FOR SHAREHOLDERS: (b)		
Based on net asset value		9.3%(d)
Based on market price		14.1%(d)
RATIO AND SUPPLEMENTAL DATA:		
Net assets at end of period (millions)	\$	1,440
Ratio of expenses to average net assets (c)		0.99%(e)
Ratio of net investment income to average net assets (c)		0.54%(e)
Portfolio turnover rate		32%(d)

(a) Effect of All-Star's rights offerings for shares at a price below net asset value.

(b) Calculated assuming all distributions reinvested at actual reinvestment price and all rights offerings were fully subscribed under the terms of each offering.

(c) The benefits derived from custody credits and directed brokerage arrangements, if applicable, had an impact of less than 0.01%.

(d) Not Annualized.

(e) Annualized.

See Notes to Financial Statements

LIBERTY ALL-STAR® EQUITY FUND

FINANCIAL HIGHLIGHTS

						YEAR ENDED DECEMBER 31,				
2006		2005		2004		2003		2002		
\$	8.85	\$	9.30	\$	9.13	\$	7.14	\$	10.65	
	0.04		0.02		0.02		0.01		0.01	
	0.75		0.40		1.09		2.76		(2.56)	
	0.79		0.42		1.11		2.77		(2.55)	
	(0.04)		(0.02)		(0.02)		(0.01)		(0.01)	
	(0.81)		(0.56)		(0.66)		(0.30)		(0.02)	
	(0.03)		(0.29)		(0.21)		(0.47)		(0.85)	
	(0.88)		(0.87)		(0.89)		(0.78)		(0.88)	
	(0.88)		(0.87)		(0.94)		(0.78)		(0.96)	
\$	8.76	\$	8.85	\$	9.30	\$	9.13	\$	7.14	
\$	8.29	\$	8.28	\$	9.56	\$	9.46	\$	6.64	
	10.4%		5.0%		13.0%		40.7%		(25.0%)	
	11.7%		(4.4)%		12.1%		56.7%		(33.0)%	
\$	1,372	\$	1,368	\$	1,372	\$	1,153	\$	869	
	1.01%		0.99%		1.01%		1.04%		1.05%	
	0.43%		0.20%		0.20%		0.11%		0.11%	
	72%		46%		57%		64%		83%	

See Notes to Financial Statements

LIBERTY ALL-STAR[®] EQUITY FUND

NOTES TO FINANCIAL STATEMENTS

June 30, 2007 (Unaudited)

NOTE 1. ORGANIZATION

Liberty All-Star Equity Fund (the Fund) is a Massachusetts business trust registered under the Investment Company Act of 1940 (the Act), as amended, as a diversified, closed-end management investment company.

Investment Goal

The Fund seeks total investment return comprised of long-term capital appreciation and current income through investing primarily in a diversified portfolio of equity securities.

Fund Shares

The Fund may issue an unlimited number of shares of beneficial interest.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements.

Security Valuation

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Equity securities are valued at the last sale price at the close of the principal exchange on which they trade, except for securities listed on the NASDAQ, which are valued at the NASDAQ official closing price. Unlisted securities or listed securities for which there were no sales during the day are valued at the closing bid price on such exchanges or over-the-counter markets.

Debt securities generally are valued by pricing services approved by the Fund's Board of Trustees (the Board), based upon market transactions for normal, institutional size trading units of similar securities. The services may use various pricing techniques which take into account appropriate factors such as yield, quality, coupon rate, maturity, type of issue, trading characteristics and other data, as well as broker quotes. Debt securities for which quotations are readily available are valued at an over-the-counter or exchange bid quotation.

Short-term debt obligations maturing in more than 60 days for which market quotations are readily available are valued at current market value. Short-term debt obligations maturing within 60 days are valued at amortized cost, which approximates market value.

Investments for which market quotations are not readily available are valued at fair value as determined in good faith under consistently applied procedures approved by and under the general supervision of the Board.

Security Transactions

Security transactions are accounted for on the trade date. Cost is determined and gains (losses) are based upon the specific identification method for both financial statement and federal income tax purposes.

Repurchase Agreements

The Fund may engage in repurchase agreement transactions with institutions that the Fund's investment adviser has determined are creditworthy. The Fund, through its custodian, receives delivery of underlying securities collateralizing a repurchase agreement. Collateral is at least equal, at all times, to the value of the repurchase obligation including interest. A repurchase agreement transaction involves certain risks in the event of default or insolvency of the counterparty. These risks include possible delays or restrictions upon a Fund's ability to dispose of the underlying securities and a possible decline in the value of the underlying securities during the period while the Fund seeks to assert its rights.

Income Recognition

Interest income is recorded on the accrual basis. Premium and discount are amortized and accreted, respectively, on all debt securities. Corporate actions and dividend income are recorded on the ex-date.

The Fund estimates components of distributions from real estate investment trusts (REITs). Distributions received in excess of income are recorded as a reduction of the cost of the related investments. If the Fund no longer owns the applicable securities, any distributions received in excess of income are recorded as realized gains.

Federal Income Tax Status

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

Distributions to Shareholders

The Fund currently has a policy of paying distributions on its shares of beneficial interest totaling approximately 10% of its net asset value per year. The distributions are payable in four quarterly distributions of 2.5% of the Fund's net asset value at the close of the New York Stock Exchange on the Friday prior to each quarterly declaration date. Distributions to shareholders are recorded on ex-date.

Indemnification

In the normal course of business, the Fund enters into contracts that contain a variety of representations and warranties and which provide general indemnities. The Fund's maximum exposure under these arrangements is unknown, as this would involve future claims against the Fund. Also, under the Fund's organizational documents and by contract, the Trustees and Officers of the Fund are indemnified against certain liabilities that may arise out of their duties to the Fund. However, based on experience, the Fund expects the risk of loss due to these warranties and indemnities to be minimal.

Recent Accounting Pronouncements

In September 2006, Statement of Financial Accounting Standards No. 157, Fair Value Measurements (SFAS 157), was issued. SFAS 157 is effective for fiscal years beginning after November 15, 2007. SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Management has recently begun to evaluate the impact the application of SFAS 157 will have on the Fund's financial statement disclosures.

NOTE 3. FEDERAL TAX INFORMATION

The timing and character of income and capital gain distributions are determined in accordance with income tax regulations, which may differ from GAAP. Reclassifications are made to the Fund's capital accounts for permanent tax differences to reflect income and gains available for distribution (or available capital loss carryforwards) under income tax regulations.

For the year ended December 31, 2006, permanent book and tax basis differences resulting primarily from differing treatments for net operating losses and excess distributions were identified and reclassified among the components of the Fund's net assets as follows:

Accumulated Net Investment Loss		Accumulated Net Realized Loss		Paid-In Capital	
\$	(41,944)	\$	41,945	\$	(1)

Net investment income and net realized gains (losses), as disclosed on the Statement of Operations, and net assets were not affected by this reclassification.

The tax character of distributions paid during the year ended December 31, 2006 was as follows:

	12/31/06
Distributions paid from:	
Ordinary income	\$ 13,728,960
Long-term capital gain	116,914,514
	130,643,474
Return of capital	3,477,453
	\$ 134,120,927

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As of December 31, 2006, the components of distributable earnings on a tax basis were as follows:

Undistributed Ordinary Income	0	\$	Undistributed Long Term CapitalGains	0	\$	Net Unrealized Appreciation*	145,212,637

* The differences between book-basis and tax-basis net unrealized appreciation are primarily due to deferral of losses from wash sales.

NOTE 4. FEES AND COMPENSATION PAID TO AFFILIATES

Investment Advisory Fee

Effective December 18, 2006, ALPS Advisers, Inc. (AAI) serves as the investment adviser to the Fund. AAI receives a monthly investment advisory fee based on the Fund's average daily net assets at the following annual rates:

Average Daily Net Assets	Annual Fee Rate
First \$400 million	0.800%
Next \$400 million	0.720%
Next \$400 million	0.648%
Over \$1.2 billion	0.584%

Under Portfolio Management Agreements, AAI pays each Portfolio Manager a portfolio management fee based on the assets of the investment portfolio that they managed. The portfolio management fee is paid from the investment advisory fees collected by AAI and is based on the Fund's average daily net assets at the following annual rates:

Average Daily Net Assets	Annual Fee Rate
First \$400 million	0.400%
Next \$400 million	0.360%
Next \$400 million	0.324%
Over \$1.2 billion	0.292%

Prior to December 18, 2006, Banc of America Investment Advisors, Inc. (BAIA), an indirect, wholly owned subsidiary of Bank of America Corporation (BOA), served as the Fund's investment advisor. AAI became investment adviser when the Fund Management Agreement was approved by Fund shareholders at a Special Meeting of the Shareholders of the Fund on November 21, 2006.

The fee rates of BAIA's investment advisory agreement with the Fund and BAIA's agreements with the Portfolio Managers were the same as AAI's fee rates noted above, except that the investment advisory fee the Fund paid to BAIA and the portfolio management fee BAIA paid to the

portfolio managers were calculated based on the Fund's average weekly net assets.

Administration, Pricing and Bookkeeping Fees

ALPS Fund Services, Inc. (ALPS) provides administrative and other services to the Fund for a monthly administration fee based on the Fund's average daily net assets at the following annual rates:

Average Daily Net Assets	Annual Fee Rate
First \$400 million	0.200%
Next \$400 million	0.180%
Next \$400 million	0.162%
Over \$1.2 billion	0.146%

In addition, ALPS provides pricing and bookkeeping services to the Fund for an annual fee consisting of: (i) \$38,000 paid monthly plus an additional monthly fee based on the level of average daily net assets for the month; and (ii) a multi-manager fee based on the number of portfolio managers; provided that during any 12-month period, the aggregate amount of (i) shall not exceed \$140,000 (exclusive of out-of-pocket expenses and charges).

The Fund also reimburses ALPS for out-of-pocket expenses and charges, including fees payable to third parties for pricing the Fund's portfolio securities and direct internal costs incurred by ALPS in connection with providing fund accounting oversight and monitoring and certain other services.

Prior to December 18, 2006, BAIA provided administrative and other services to the Fund under the same terms as ALPS noted above, except that BAIA's fee was based on average weekly net assets.

Further, prior to December 18, 2006, Columbia Management Advisors, LLC (Columbia), an indirect, wholly owned subsidiary of BOA and an affiliate of BAIA, was responsible for providing pricing and bookkeeping services to the Fund under a pricing and bookkeeping agreement. Under a separate agreement (the Outsourcing Agreement), Columbia delegated those functions to State Street Corporation (State Street). As a result, Columbia paid State Street the total fees collected under the pricing and bookkeeping agreement.

The terms of Columbia's pricing and bookkeeping agreement were the same as the ALPS terms noted above.

Custody Credits

The Fund has an agreement with its custodian bank under which custody fees may be reduced by balance credits. These credits are recorded as a reduction of total expenses on the Statement of Operations. The Fund could have invested a portion of the assets utilized in connection with the expense offset arrangement in an income-producing asset if it had not entered into such an agreement.

Fees Paid to Officers

All officers of the Fund are employees of AAI or its affiliates, and receive no compensation from the Fund. The Board of Trustees has appointed a Chief Compliance Officer to the Fund in accordance with federal securities regulations.

NOTE 5. PORTFOLIO INFORMATION

For the six months ended June 30, 2007, the cost of purchases and proceeds from sales of securities, excluding short-term obligations, were \$432,484,737 and \$485,554,198, respectively.

NOTE 6. CAPITAL TRANSACTIONS

During the six months ended June 30, 2007, and the year December 31, 2006, distributions in the amount of \$16,482,541 and \$16,734,378, respectively, were paid in newly issued shares valued at market value or net asset value, but not less than 95% of market value. Such distributions resulted in the issuance of 1,849,893 and 2,071,594 shares, respectively.

NOTE 7. RESULTS OF ANNUAL MEETING OF SHAREHOLDERS

On April 26, 2007, the Annual Meeting of Shareholders of the Fund was held to elect three Trustees. On February 15, 2007, the record date for the Meeting, the Fund had outstanding 156,669,818 shares of beneficial interest. The votes cast at the meeting were as follows:

Proposal to elect three Trustees:

	For	Withheld
Richard W. Lowry	137,731,054	3,092,769
John J. Neuhauser	137,847,258	2,976,565
Richard C. Rantzow	137,702,708	3,121,115

NOTE 8. SUBSEQUENT EVENTS

The Board of Trustees has authorized and set the terms of an offering to the Fund's shareholders of rights to purchase additional shares of the Fund. Shareholders would be issued non-transferable rights entitling them to subscribe for one additional share for every ten shares held, with the right to subscribe for additional shares not subscribed for by others in the primary subscription. The Fund anticipates that the offering will commence in October 2007 and will continue for approximately 30 days. The rights offering is subject to the effectiveness of the Fund's Registration statement to be filed with the Securities and Exchange Commission and will be made only by means of a prospectus.

LIBERTY ALL-STAR[®] EQUITY FUND

DESCRIPTION OF LIPPER BENCHMARK AND THE S&P 500 INDEX

Lipper Large-Cap Core Mutual Fund Average The average of funds that, by portfolio practice, invest at least 75% of their equity assets in companies with market capitalizations (on a three-year weighted basis) greater than 300% of the dollar-weighted median market capitalization of the middle 1,000 securities of the S&P SuperComposite 1500 Index. Large-cap core funds have more latitude in the companies in which they invest. These funds typically have an average price-to-earnings ratio, price-to-book ratio, and three-year sales-per-share growth value, compared to the S&P 500 Index.

S&P 500 Index A representative sample of 500 leading companies in leading industries of the U.S. economy. Focuses on the largecap segment of the market with over 80% coverage of U.S. equities.

INVESTMENT ADVISER

ALPS Advisers, Inc.

1290 Broadway, Suite 1100

Denver, CO 80203

303-623-2577

www.all-starfunds.com

INDEPENDENT REGISTERED

PUBLIC ACCOUNTING FIRM

PricewaterhouseCoopers LLP

125 High Street

Boston, Massachusetts 02110

CUSTODIAN

State Street Bank & Trust Company

One Lincoln Street

Boston, Massachusetts 02111

INVESTOR ASSISTANCE,

TRANSFER & DIVIDEND

DISBURSING AGENT & REGISTRAR

Computershare Trust Company, N.A.

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TRUSTEES

John A. Benning*

Thomas W. Brock*

Edmund J. Burke

George R. Gaspari*

Richard W. Lowry*, Chairman

Dr. John J. Neuhauser*

Richard C. Rantzow*

OFFICERS

William R. Parmentier, Jr., President

Mark T. Haley, CFA, Senior Vice President

Edmund J. Burke, Vice President

Jeremy O. May, Treasurer

Kimberly R. Storms, Assistant Treasurer

Tané T. Tyler, Secretary

Bradley J. Swenson, Chief Compliance Officer

* Member of the Audit Committee

A description of the Fund's proxy voting policies and procedures is available (i) on the Securities and Exchange Commission's website at www.sec.gov, and (ii) without charge, upon request, by calling 1-800-542-3863. Information regarding how the Fund voted proxies relating to portfolio securities during the 12-month period ended June 30, 2006 is available from the SEC's website at www.sec.gov. Information regarding how the Fund voted proxies relating to portfolio securities is also available at

www.all-starfunds.com.

The Fund files a complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Fund's Form N-Q's are available on the SEC's website at www.sec.gov and may be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

Notice is hereby given in accordance with Section 23(c) of the Investment Company Act of 1940 that the Fund may purchase at market prices from time to time shares of its own common stock in the open market.

This report is transmitted to shareholders of Liberty All-Star Equity Fund for their information. It is not a prospectus or other document intended for use in the purchase of Fund shares.

LAS000145 02/29/08



Item 2. Code of Ethics.

Not Applicable to this Report.

Item 3. Audit Committee Financial Expert.

Not Applicable to this Report.

Item 4. Principal Accountant Fees and Services.

Not Applicable to this Report.

Item 5. Audit Committee of Listed Registrants.

Not Applicable to this Report.

Item 6. Schedule of Investments

The registrant's Schedule I Investments in securities of unaffiliated issuers (as set forth in 17 CFR 210.12-12) is included in Item 1 of this Form N-CSR.

Item 7. Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies.

The Fund has delegated to ALPS Advisors, Inc. (the Advisor) the responsibility to vote proxies relating to portfolio securities held by the Fund. In deciding to delegate this responsibility to the Advisor, the Fund's Board reviewed and approved the policies and procedures adopted by the Advisor. These included the procedures that the Advisor follows when a vote presents a conflict between the interests of the Fund and its shareholders and the Advisor, its affiliates, its other clients or other persons.

The Fund has delegated to ALPS Advisors, Inc. (the Advisor) the responsibility to vote proxies relating to portfolio securities held by the Fund.

The Advisor's policy is to vote all proxies for Fund securities in a manner considered by the Advisor to be in the best interest of the Fund and its shareholders without regard to any benefit to the Advisor, its affiliates, its other clients or other persons. The Advisor or an affiliate examines each proposal and votes against the proposal, if, in its judgment, approval or adoption of the proposal would be expected to impact adversely the current or potential market value of the issuer's securities. The Advisor or an affiliate also examines each proposal and votes the proxies against the proposal, if, in its judgment, the proposal would be expected to affect adversely the best interest of the Fund. The Advisor or an affiliate determines the best interest of the Fund in light of the potential economic return on the Fund's investment.

The Advisor addresses potential material conflicts of interest by having predetermined voting guidelines. For those proposals that require special consideration or in instances where special circumstances may require varying from the predetermined guideline, a Proxy Committee determines the vote in the best interest of the Fund, without consideration of any benefit to the Advisor, its affiliates, its other clients or other persons. The Proxy Committee is composed of representatives of equity investments, equity research, compliance, legal and fund administration functions. In addition to the responsibilities described above, the Proxy Committee has the responsibility to review, on a semi-annual basis, the Advisor's proxy voting policies to ensure consistency with internal and regulatory agency policies and to develop additional predetermined voting guidelines to assist in the review of proxy proposals.

The Proxy Committee may vary from a predetermined guideline if it determines that voting on the proposal according to the predetermined guideline would be expected to impact adversely the current or potential market value of the issuer's securities or to affect adversely the best interest of the client. References to the best interest of a

client refer to the interest of the client in terms of the potential economic return on the client's investment. In determining the vote on any proposal, the Proxy Committee does not consider any benefit other than benefits to the owner of the securities to be voted. A member of the Proxy Committee is prohibited from voting on any proposal for which he or she has a conflict of interest by reason of a direct relationship with the issuer or other party affected by a given proposal. Persons making recommendations to the Proxy Committee or its members are required to disclose to the Committee any relationship with a party making a proposal or other matter known to the person that would create a potential conflict of interest.

The Advisor has retained Institutional Shareholder Services (ISS), a third party vendor, to implement its proxy voting process. ISS provides proxy analysis, record keeping services and vote disclosure services.

Item 8. Portfolio Managers of Closed-End Management Investment Companies.

Not Applicable to this Report.

Item 9. Purchases of Equity Securities by Closed-End Management Investment Company and Affiliated Purchasers

During the six months ended June 30, 2007, there were no purchases made by or on behalf of the registrant or any affiliated purchaser, as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934 (Exchange Act), of shares or other units of any class of the registrant's equity securities that are registered by the registrant pursuant to Section 12 of the Exchange Act.

Item 10. Submission of Matters to a Vote of Security Holders.

There have not been any material changes to the procedures by which shareholders may recommend nominees to the registrant's board of directors, since those procedures were last disclosed in response to the requirements of Item 7(d)(2)(ii)(G) of Schedule 14A or this Item.

Item 11. Controls and Procedures.

(a) The registrant's principal executive officer and principal financial officers, based on their evaluation of the registrant's disclosure controls and procedures as of a date within 90 days of the filing of this report, have concluded that such controls and procedures are adequately designed to ensure that information required to be disclosed by the registrant in Form N-CSR is accumulated and communicated to the registrant's management, including the principal executive officer and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

(b) There were no changes in the registrant's internal control over financial reporting that occurred during the registrant's second fiscal quarter of the period covered by this report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 12. Exhibits.

(a)(1) Code of ethics required to be disclosed under Item 2 of Form N-CSR are Not Applicable to this Report.

(a)(2) Certifications pursuant to Rule 30a-2(a) under the Investment Company Act of 1940 (17 CFR 270.30a-2(a)) attached hereto as Exhibit 99.CERT.

(a)(3) Not applicable.

(b) Certification pursuant to Rule 30a-2(b) under the Investment Company Act of 1940 (17 CFR 270.30a-2(b)) attached hereto as Exhibit 99.906CERT.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LIBERTY ALL-STAR EQUITY FUND

By: /s/ William R. Parmentier, Jr.
William R. Parmentier, Jr. (Principal Executive Officer)
President

Date: September 7, 2007

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LIBERTY ALL-STAR EQUITY FUND.

By: /s/ William R. Parmentier, Jr.
William R. Parmentier, Jr. (Principal Executive Officer)
President

Date: September 7, 2007

By: /s/ Jeremy O. May
Jeremy O. May (Principal Financial Officer)
Treasurer

Date: September 7, 2007
