

FRANKLIN FLOATING RATE TRUST  
Form N-30D  
October 10, 2001

SHAREHOLDER LETTER

-----  
Your Fund's Goal: Franklin Floating Rate Trust's primary goal is to provide as high a level of current income and preservation of capital as is consistent with investment primarily in senior secured corporate loans and corporate debt securities with floating interest rates.  
-----

Dear Shareholder:

We are pleased to bring you Franklin Floating Rate Trust's annual report for the period ended July 31, 2001.

ECONOMIC OVERVIEW

The U.S. economy weakened markedly during the fiscal year ended July 31, 2001, as a slowdown in growth, perhaps sharpened by political uncertainty over the presidential election, started in the technology sector and quickly spread to other industries. The Federal Reserve Board (the Fed) moved quickly and forcefully to cut interest rates during the late winter and spring with a series of half-percent reductions, but by period-end it was not yet clear if an economic recovery had taken hold. As of July 31, 2001, the federal funds target rate stood at 3.75%, down from 6.50% one year earlier.

Short-term interest rates declined significantly over the past 12 months due to the Fed's aggressive monetary easing stance. Accordingly, the three-month London InterBank Offered Rate

The dollar value, number of shares or principal value, and complete legal titles of all portfolio holdings are listed in the Fund's Statement of Investments (SOI). The SOI begins on page 11.

CONTENTS

Shareholder Letter .....	1
Performance Summary .....	7
The Fund's Repurchase Offers .....	8
Financial Highlights & Statement of Investments .....	10
Financial Statements .....	24
Notes to Financial Statements .....	28

Edgar Filing: FRANKLIN FLOATING RATE TRUST - Form N-30D

Independent Auditors' Report ..... 33

[FUND CATEGORY PYRAMID GRAPHIC]

WHAT ARE SYNDICATED BANK LOANS?

Syndicated bank loans are typically secured, floating rate loans to corporate borrowers made by a group, or syndicate, of banks and other lenders. A group of lenders provides capital to companies for varied purposes, such as merger and acquisition activity, leveraged buyouts or refinancings. Borrowing rates are generally pegged to an index, such as LIBOR, the London InterBank Offered Rate.

(LIBOR), the benchmark used to set the interest rates of most leveraged loans, declined from 6.72% at the beginning of the reporting period, to 3.67% on July 31, 2001. Long-term rates stayed relatively constant over the same period, however, with the yield on the 30-year Treasury bond declining slightly from 5.78% to 5.52%. Equity markets were extremely volatile during the year, although the Dow Jones(R) Industrial Average did not move significantly, starting the period under review at 10606.95 and ending at 10522.81.(1)

SYNDICATED BANK LOAN MARKET

The first six months of the Fund's fiscal year were difficult, as the slowing economy and relatively high interest rates created a challenging business climate for leveraged companies that issue syndicated bank loans. Default rates increased markedly, hitting levels not seen since the last recession of 1991-92, and new issuance and secondary market trading activity slowed.

Signs of a turnaround seemed to appear at the beginning of 2001 when the Fed unexpectedly and aggressively cut interest rates, spurring a sharp rebound in the closely linked high yield (junk bond) market. Unfortunately, that recovery turned out to be short-lived -- although some companies were able to refinance or issue new debt, investor interest seemed focused on old economy industries (including foods, pharmaceuticals, health care and insurance) that were perceived as more stable, instead of riskier industries such as technology and telecommunications.

By the spring of 2001, the outlook for the syndicated loan market grew hazy again as the expected recovery failed to take hold

1. Source: Standard & Poor's Micropal. The unmanaged Dow Jones Industrial Average is a price-weighted index based on the average market price of 30 blue chip stocks.

2

and a number of defaults, particularly in telecommunications-related loans, cast a shadow across the asset class. By early summer, leveraged loan market conditions started to improve a bit as lower interest rates and increased investor enthusiasm stabilized the market. New-issue volume increased significantly in May and June, and although telecommunications credits remained out of favor, investors showed continued willingness to invest in old economy companies, contributing to a broad rally.

## Edgar Filing: FRANKLIN FLOATING RATE TRUST - Form N-30D

Still, the year under review was certainly a difficult period for the leveraged loan asset class, with returns coming in much lower than in recent years. After several years of ideal conditions -- strong economic growth with relatively high interest rates -- bank loans faced a weakening economy and significantly lower short-term interest rates. Loan credit quality fell across the board, forcing markdowns of some positions; loan yields also dropped.

Although it may seem like a very poor market environment, we believe there are some hopeful signs amid the fallout. Banks are tightening credit standards on new deals coming to market, and lower interest rates could help borrowers by reducing interest expense. In addition, market dislocations have created opportunities for nimble investors to invest in loans from strong companies at very attractive prices.

### PORTFOLIO NOTES

The cable television industry remained one of our favorites, and was increased to 6.5% of the Fund's total net assets by July 31, 2001. We invested significantly in several new issues in the

### TOP 10 HOLDINGS 7/31/01

COMPANY INDUSTRY	% OF TOTAL NET ASSETS
Conseco Inc. Financial Conglomerates	3.6%
Wyndham International Inc. Hotels & Resorts	3.3%
Charter Communications CCVI, CCVIII and Charter Communications Operating LLC Cable Television	2.7%
Nextel Communications Inc. Cellular Telephone	2.6%
Finova Capital Corp. Finance Companies	2.4%
Allied Waste Industries Inc. Environmental Services	2.2%
Burns Philip Packaged Foods	2.1%
Ventas Realty LP Real Estate Investment Trusts	2.0%
VoiceStream Holding LLC Cellular Telephone	2.0%

Edgar Filing: FRANKLIN FLOATING RATE TRUST - Form N-30D

AEI Resources 1.5%  
Coal & Mining

3

DIVIDEND DISTRIBUTIONS\*  
8/1/00 - 7/31/01

MONTH	DIVIDEND PER SHARE
August	7.7683 cents
September	7.2199 cents
October	8.0619 cents
November	7.6140 cents
December	7.3861 cents
January	8.8942 cents
February	7.1895 cents
March	7.0741 cents
April	7.1329 cents
May	6.8257 cents
June	6.3358 cents
July	6.3884 cents
TOTAL	87.8908 CENTS

\*Assumes shares were purchased and held for the entire accrual period. Since dividends accrue daily, your actual distributions will vary depending on the date you purchased your shares and any account activity during the month. Income distributions include all accrued income earned by the Fund during the reporting period.

latter half of the reporting period, including issuers such as Mediacom, Insight and Videotron. In a slowing economy, one always has to be worried about declining revenues as consumers cut spending, but we feel that cable provides excellent value to subscribers, and could be one of the last things consumers would be willing to give up. Cable companies are also starting to benefit from potentially higher-margin services like digital cable, Internet access and telephony.

A year ago we wrote to you about the problems the movie exhibition industry had

## Edgar Filing: FRANKLIN FLOATING RATE TRUST - Form N-30D

been facing due to overcapacity and inadequate demand growth. Although the industry remains overbuilt, the news has improved for senior lenders like your Fund. A private investor based in Colorado, Philip Anschutz, saw value in the assets of two movie theater chains, United Artists and Regal Cinemas, and began to buy their bank debt in an effort to obtain a controlling stake of the companies' equity in a negotiated restructuring. The news of his interest, combined with better-than-expected box office revenues and the industry's aggressive moves to shut down unprofitable theaters, moved movie theater company loan prices up significantly, benefiting the Fund.

During the reporting period, we invested in the \$1 billion senior credit facilities of White Mountains, a holding company specializing in insurance. One of the borrower's subsidiaries, CGU, ranks among the top 20 U.S. property and casualty insurers. Folksamerica Holding Company, a CGU subsidiary, provides reinsurance to property and casualty risk insurers throughout North America. We were attracted to the company's strong franchise, favorable geographic mix, and proven management team

4

led by Jack Byrne, former CEO of GEICO insurance. In addition, White Mountains has an attractive conservative capital structure whose senior credit facilities were rated investment grade by independent credit rating agencies Moody's(R) and S&P(R), with cash flow expected to cover interest expense on company debt more than threefold. In addition, the company, which is not publicly traded, has strong equity sponsorship in the form of several institutional investors, including Warren Buffett's Berkshire Hathaway.

Lastly, we continued to position the Fund defensively by favoring industries such as hospitals in the health care sector, since hospital services should still experience strong demand regardless of economic conditions. During the year under review, we invested in Triad Hospitals, the nation's third-largest hospital management company. Triad owns and operates 49 hospitals and 14 ambulatory surgery centers located in small cities and selected high-growth urban markets. Currently, Iasis Healthcare also remains one of our top holdings in this sector. Iasis owns and/or operates 14 hospitals and four surgery centers, primarily in three major markets, Phoenix, Salt Lake City and Tampa-St. Petersburg, which have had strong demographic trends. We feel investments like Triad and Iasis will hold up relatively better in a recession and that these loans have significant asset coverage (in the form of the hospitals pledged to us as collateral) to mitigate any downside risk.

Looking forward, we will maintain our strategy of holding loans from companies that we believe possess defensive market

5

positions and strong asset coverage in industries that we feel will do well even during periods of economic decline. With its relatively stable share price and potential for high, current income, we believe the Fund is an attractive investment for investors seeking to diversify portfolios heavily weighted in equities.

We appreciate your investment in Franklin Floating Rate Trust and welcome your comments or suggestions.

Sincerely,

/s/ Charles B. Johnson  
Charles B. Johnson

## Edgar Filing: FRANKLIN FLOATING RATE TRUST - Form N-30D

Chairman  
Franklin Floating Rate Trust

/s/ Chauncey Lufkin  
Chauncey Lufkin  
Portfolio Manager  
Franklin Floating Rate Trust

-----  
This discussion reflects our views, opinions and portfolio holdings as of July 31, 2001, the end of the reporting period. The information provided is not a complete analysis of every aspect of any country, industry, security or the Fund. Our strategies and the Fund's portfolio composition will change depending on market and economic conditions. Although historical performance is no guarantee of future results, these insights may help you understand our investment and management philosophy.  
-----

6

### PERFORMANCE SUMMARY AS OF 7/31/01

Distributions and returns will vary based on earnings of the Fund's portfolio and any profits realized from the sale of the portfolio's securities, as well as the level of the Fund's operating expenses. All total returns include reinvested distributions at net asset value.

### PRICE AND DISTRIBUTION INFORMATION

	CHANGE	7/31/01	7/31/00
Net Asset Value (NAV)	-\$0.61	\$9.24	\$9.85
DISTRIBUTIONS (8/1/00 - 7/31/01)			
Dividend Income	\$0.878908		

### PERFORMANCE

	1-YEAR	3-YEAR	INCEPTION (10/10/97)
Cumulative Total Return(1)	+2.80%	+17.69%	+23.96%
Average Annual Total Return(2)	+1.86%	+5.58%	+5.81%
Avg. Ann. Total Return (6/30/01) (3)	+3.19%	+5.92%	+6.08%
Distribution Rate(4)	7.87%		
30-Day Standardized Yield(5)	7.85%		

## Edgar Filing: FRANKLIN FLOATING RATE TRUST - Form N-30D

For updated performance figures, see "Prices and Performance" at [franklintempleton.com](http://franklintempleton.com), or call Franklin Templeton Investments at 1-800/342-5236.

Past performance does not guarantee future results.

-----  
SHARES REPURCHASED WITHIN 12 MONTHS OF INVESTMENT ARE SUBJECT TO 1% EARLY  
WITHDRAWAL CHARGE.  
-----

1. Cumulative total return represents the change in value of an investment over the periods indicated and does not include the early withdrawal charge.
2. Average annual total return represents the average annual change in value of an investment over the periods indicated and includes the 1% early withdrawal charge, assuming shares were redeemed within 12 months of purchase.
3. In accordance with SEC rules, we provide standardized average annual total return information through the latest calendar quarter.
4. The distribution rate is based on the annualization of daily distribution (5.9746 cents per share) during the last 30 days in July and the \$9.24 NAV on 7/31/01.
5. Yield, calculated as required by the SEC, is based on the earnings of the Fund's portfolio for the 30 days ended 7/31/01.

7

### THE FUND'S REPURCHASE OFFERS

The Fund will make quarterly repurchase offers for a portion of its shares. With any repurchase offer, shareholders may elect to tender (have the Fund repurchase) all, a portion or none of their shares. With each repurchase offer, shareholders will be notified in writing about the offer, how to request that the Fund repurchase their shares and the deadline for submitting repurchase requests.

Each quarter the Board of Trustees will set the amount of the repurchase offer, as a percentage of outstanding shares. This amount is known as the repurchase offer amount and will generally be between 5% and 25% of the Fund's outstanding shares. If repurchase requests exceed the repurchase offer amount, the Fund will prorate requests. The Fund may, however, first accept any requests to repurchase all of a shareholder's shares if the shareholder owns less than 100 shares. The Board will also determine the date by which the Fund must receive shareholders' repurchase requests, which is known as the repurchase request deadline. The Board will base these decisions on investment management considerations, market conditions, liquidity of the Fund's assets, shareholder servicing and administrative considerations and other factors it deems appropriate. Each

8

repurchase request deadline will occur within the period that begins 21 days before, and ends 21 days after, the end of the quarterly interval. The repurchase price of the shares will be the net asset value as of the close of

7

## Edgar Filing: FRANKLIN FLOATING RATE TRUST - Form N-30D

the NYSE on the date the Board sets as the repurchase pricing date. The maximum number of days between the repurchase request deadline and the repurchase pricing date is 14 days.

### SUMMARY OF REPURCHASE OFFERS - 8/1/00 THROUGH 7/31/01

REPURCHASE REQUEST DEADLINE	REPURCHASE OFFER AMOUNT	% OF SHARES TENDERED*	NUMBER OF SHARES TENDERED*
1. 10/2/00	25%	5.24%	15,715,936.939
2. 12/22/00	25%	7.09%	22,821,259.481
3. 4/2/01	25%	11.49%	39,010,970.250
4. 7/2/01	25%	8.77%	28,669,786.561

\*In connection with the repurchase offers, due to the limited number of shares tendered, the Fund did not have to consider whether to repurchase an additional amount of shares, not in excess of 2% of the shares outstanding, and did not need to repurchase any shares on a pro rata basis as described in the Prospectus and Repurchase Offer/Request Form.

9

### FRANKLIN FLOATING RATE TRUST Financial Highlights

	YEAR ENDED JULY 31		
	2001	2000	1999
<b>PER SHARE OPERATING PERFORMANCE</b> (for a share outstanding throughout the year)			
Net asset value, beginning of year	\$ 9.85	\$ 9.98	\$ 9.98
Income from investment operations:			
Net investment income	.875	.839	.839
Net realized and unrealized gains (losses)	(.606)	(.130)	.000
Total from investment operations	.269	.709	.839
Less distributions from net investment income	(.879)	(.839)	.000
Net asset value, end of year	\$ 9.24	\$ 9.85	\$ 9.98
Total return (b)	2.80%	7.39%	7.39%
<b>RATIOS/SUPPLEMENTAL DATA</b>			
Net assets, end of year (000's)	\$2,832,188	\$2,541,497	\$1,980,000
Ratios to average net assets:			
Expenses	1.36%	1.35%	1.35%
Expenses excluding waiver and payments by affiliate	1.36%	1.35%	1.35%



Edgar Filing: FRANKLIN FLOATING RATE TRUST - Form N-30D

Net investment income	9.07%	8.51%
Portfolio turnover rate	84.15%	66.27%

- (a) For period October 10, 1997 (effective date) to July 31, 1998.
- (b) Total return does not reflect the contingent deferred sales charge and is not annualized for periods less than one year.
- (c) Annualized

10 See notes to financial statements.

FRANKLIN FLOATING RATE TRUST  
STATEMENT OF INVESTMENTS, JULY 31, 2001

	PRI
	AM
-----	
(a) SENIOR FLOATING RATE INTERESTS 99.4%	
APPAREL	
St. John Knits International Inc., Term Loan B, 6.813%, 7/31/07	\$
AUTO PARTS: O.E.M. 3.0%	
Dayco Products LLC, Term Loan B, 7.109 - 7.305%, 5/31/07	1
Exide Corp., Term Loan B, 8.196 - 8.759%, 12/18/05	1
SPX Corp.,	
Term Loan B, 6.438 - 6.875%, 12/31/06	
Term Loan C, 6.625 - 7.125%, 12/31/07	1
Tenneco Automotive Inc.,	
Term Loan B, 8.09%, 11/04/07	1
Term Loan C, 8.34%, 5/04/08	1
BOOKS/MAGAZINES 1.1%	
American Media Inc., Term Loan B, 7.42 - 8.41%, 4/01/07	
PEI Holdings, Term Loan B, 8.055 - 8.306%, 3/15/06	
Primedia Inc., Term Loan B, 6.54%, 6/30/09	1
Reiman Publications Co., Term Loan B, 7.50 - 7.625%, 11/30/05	
Weekly Reader, Term Loan, 8.01 - 8.04%, 11/08/06	
BROADCASTING 2.8%	
Benedek Broadcasting Corp., Term Loan B, 6.96%, 11/20/07	1
Comcorp Broadcasting Inc., Term Loan, 6.75 - 7.26%, 6/30/02	
(c) Comcorp Holdings Inc., Term Loan, 11.25%, 8/28/01	
Corus Entertainment, Term Loan B, 7.00%, 9/01/07	
Emmis Communications Corp., Term Loan B, 6.75 - 7.174%, 8/31/09	
Entravision Communications Corp., Term Loan B, 6.563%, 12/31/08	

Edgar Filing: FRANKLIN FLOATING RATE TRUST - Form N-30D

Nassau Broadcasting Partners LP, Term Loan B, 11.25%, 6/30/07  
 Quorum Broadcasting Co., Term Loan B, 7.46 - 7.75%, 9/30/07  
 Sinclair Broadcast Group Inc.,  
     Incremental Term Loan B, 6.71%, 9/30/09  
 (d) Revolver, 7.103 - 7.156%, 9/15/05  
     Telemundo Group, Term Loan B, 7.19%, 3/31/08  
     White Knight Broadcasting Inc., Term Loan B, 7.26%, 6/30/07

BUILDING MATERIALS .3%

Formica Corp., Term Loan B, 7.21 - 7.76%, 4/30/06  
 Magnatrax Corp., Term Loan B, 7.82%, 11/15/05

BUILDING PRODUCTS .5%

Tapco International Inc.,  
     Term Loan B, 6.96%, 7/23/07  
     Term Loan C, 7.21%, 7/23/08  
 Therma-Tru Corp., Term Loan B, 7.75%, 5/11/07

11

FRANKLIN FLOATING RATE TRUST  
 STATEMENT OF INVESTMENTS, JULY 31, 2001 (cont.)

	PRI	AM
-----		
(a) SENIOR FLOATING RATE INTERESTS (CONT.)		
CABLE TELEVISION 7.5%		
Century Cable (Adelphia),		
Discretionary Term Loan, 6.79 - 6.86%, 12/31/09	\$ 7,	
Discretionary Term Loan, 6.79 - 6.86%, 6/30/09		12,
Charter Communications CCVI,		
Term Loan A, 5.76%, 5/12/08		1,
Term Loan B, 6.51%, 11/12/08		20,
Charter Communications CC VIII, Term Loan B, 6.54%, 2/14/08		22,
Charter Communications Operating LLC,		
Incremental Term Loan, 6.26%, 9/18/08		21,
Term Loan B, 6.21%, 3/18/08		13,
Insight Midwest Holdings LP, Term Loan, 6.563%, 12/31/09		3,
MCC Iowa (Broadband), Term Loan B, 6.26 - 6.29%, 9/30/10		9,
Mediacom Illinois, Term Loan B, 6.34%, 12/31/08		5,
Mediacom Southeast, Delay Draw, 6.32 - 6.34%, 8/01/08		2,
Pegasus Media Communications Corp., Term Loan B, 7.313%, 4/30/05		17,
UCA-HHC (Adelphia), Term Loan, 6.313%, 3/31/08		26,
UPC Distribution Holdings BV, Term Loan B, 8.00%, 3/31/09		53,
Videotron Itee, Term Loan B, 6.598 - 8.50%, 12/01/09		10,

Edgar Filing: FRANKLIN FLOATING RATE TRUST - Form N-30D

CASINOS/GAMING 2.3%

Ameristar Casinos Inc.

Term Loan B, 7.438%, 12/31/06

Term Loan C, 7.688%, 12/20/07

Boyd Gaming Corp., Term Loan B, 6.46 - 7.35%, 6/15/03

Greektown Casinos, Term Loan B, 7.75 - 8.125%, 9/16/04

Hollywood Casino Corp., Term Loan, 10.51%, 5/01/06

Scientific Games Corp., Term Loan B, 8.063 - 9.58%, 9/30/07

CELLULAR TELEPHONE 8.7%

Alamosa Holdings Inc., Term Loan, 7.875%, 2/15/08

Alec Holdings Inc.

Term Loan B, 6.75%, 11/04/07

Term Loan C, 7.063%, 5/14/08

American Cellular Inc., Term Loan C, 7.11%, 2/25/09

Centennial Cellular Operating Co.

Term Loan B, 6.73 - 6.96%, 5/31/07

Term Loan C, 6.98 - 7.24%, 11/30/07

Dobson Operating Company LLC, Term Loan B, 6.78%, 1/31/07

Microcell Connexions Inc.,

Term Loan B, 6.71%, 3/01/06

Term Loan E, 7.08%, 3/01/06

Nextel Communications Inc.,

Term Loan A, 6.54 - 6.563%, 12/31/07

Term Loan B, 7.415%, 1/29/08

Term Loan C, 7.75%, 7/29/08

Term Loan D, 7.125%, 3/31/09

12

FRANKLIN FLOATING RATE TRUST

STATEMENT OF INVESTMENTS, JULY 31, 2001 (CONT.)

(a) SENIOR FLOATING RATE INTERESTS (CONT.)

CELLULAR TELEPHONE (CONT.)

Nextel Operations Inc.,

Leveraged Lease I, 9.188%, 3/15/05

Leveraged Lease II, 7.35%, 2/08/07

Nextel Partners Inc., Term Loan C, 8.18%, 7/29/08

Rural Cellular Corp.,

Term Loan B, 7.10%, 10/03/08

Term Loan C, 7.35%, 4/03/09

Sygnel Wireles Inc., Term Loan C, 7.53%, 12/23/07

Telecorp PCS Inc., Term Loan B, 6.79%, 11/17/08

Tritel Holding Corp., Term Loan B, 8.40%, 12/31/07

VoiceStream Holding LLC

Term Loan A, 6.78%, 6/30/09

PRI

AM

\$ 3,

13,

20,

7,

7,

1,

5,

5,

1,

Edgar Filing: FRANKLIN FLOATING RATE TRUST - Form N-30D

Term Loan B, 6.83%, 6/30/09 7,  
Vendor Term Loan B, 6.83%, 6/30/07 47,

CHEMICALS: AGRICULTURAL .2%  
IMC Global Inc., Term Loan B, 7.50 - 7.875%, 11/17/06 5,

CHEMICALS: MAJOR DIVERSIFIED .4%  
Lyondell Chemical Co.,  
Term Loan B, 7.49%, 6/30/05 1,  
Term Loan E, 7.585 - 8.915%, 6/30/06 9,

CHEMICALS: SPECIALTY 1.1%  
Huntsman International LLC,  
Term Loan B, 6.75 - 7.125%, 6/30/07  
Term Loan C, 7.063%, 6/30/08  
Noveon Inc., Term Loan B, 7.438 - 7.50%, 9/30/08 5,  
RK Polymers LLC, Term Loan B, 9.25%, 3/07/09 25,

COAL/MINING 1.5%  
(c) AEI Resources,  
Revolver, 9.00%, 12/31/03 1,  
Term Loan A, 9.00%, 12/31/03 1,  
Term Loan B, 11.50%, 9/30/05 44,

COMMUNICATIONS .6%  
Spectrasite Communications Inc., Term Loan B, 7.55 - 7.74%, 2/22/07 18,

COMPUTER/VIDEO CHAINS .7%  
Blockbuster Inc.,  
(d) Revolver, 5.19 - 5.25%, 7/01/04 11,  
Term Loan B, 5.28 - 6.184%, 7/01/04 9,

13

FRANKLIN FLOATING RATE TRUST  
STATEMENT OF INVESTMENTS, JULY 31, 2001 (CONT.)

PRI  
AM

## Edgar Filing: FRANKLIN FLOATING RATE TRUST - Form N-30D

(a) SENIOR FLOATING RATE INTERESTS (CONT.)

CONSUMER SERVICES .6%

Argosy Gaming Co., Term Loan B, 8.25%, 7/31/08	\$ 5,
Sotheby's Holdings Inc., Term Loan B, 6.77 - 6.81%, 8/11/02	10,
Stewart Enterprises Inc., Term Loan B, 7.195 - 7.205%, 6/30/06	3,

CONSUMER SPECIALTIES .1%

Holmes Products Corp., Term Loan B, 8.00%, 2/05/07	1,
--	----

CONSUMER SUNDRIES .2%

Playtex Products Inc., Term Loan A, 6.82%, 5/31/07	2,
United Industries Corp., Term Loan, 7.79%, 1/20/06	4,

CONTAINERS/PACKAGING 3.9%

Crown, Cork & Seal Company Inc., Term Loan B, 7.31%, 3/04/02	20,
Graham Packaging Co.,	
Term Loan B, 6.938%, 1/31/06	2,
Term Loan C, 7.188%, 1/31/07	2,
Term Loan D, 7.188 - 8.25%, 1/31/07	13,
Greif Brothers Corp., Term Loan B, 6.95%, 3/01/08	9,
Impress Metal Packaging LTD., Term Loan G, 6.962%, 12/31/06	
Owens-Illinois Inc., Term Loan, 6.30 - 6.33%, 3/31/04	32,
Stone Container Corp.,	
Term Loan F, 7.125%, 12/31/05	11,
Term Loan G, 7.438%, 12/31/06	8,
Term Loan H, 7.438%, 12/31/06	7,
Tekni-Plex Inc., Term Loan B, 7.25%, 6/21/08	4,

DIVERSIFIED COMMERCIAL SERVICES 2.0%

Buhrmann, US Inc., Term Loan B, 8.68%, 10/24/07	26,
Mascotech Inc., Term Loan B, 7.75%, 11/28/08	22,
Outsourcing Solutions Inc., Term Loan B, 7.77%, 6/01/06	4,
Stream International Inc., Term Loan, 8.94%, 10/29/06	2,

(c) US Office Products Co.,

Multi-Draw Term Loan, 6.75%, 6/09/05	1,
Revolver, 6.75 - 10.00%, 6/09/05	4,
Term Loan A, 6.75%, 6/09/06	1,

DIVERSIFIED MANUFACTURING 1.0%

Foamex International Inc.,	
Term Loan B, 7.75%, 6/30/05	1,
Term Loan C, 8.00%, 6/30/06	1,
Term Loan D, 8.50%, 12/31/06	7,
General Cable Corp., Term Loan B, 6.875%, 6/30/07	3,

Edgar Filing: FRANKLIN FLOATING RATE TRUST - Form N-30D

FRANKLIN FLOATING RATE TRUST  
STATEMENT OF INVESTMENTS, JULY 31, 2001 (CONT.)

	PRI
	AM
-----	
(a) SENIOR FLOATING RATE INTERESTS (CONT.)	
DIVERSIFIED MANUFACTURING (CONT.)	
Mediapak Holdings Corp.,	
Term Loan B, 7.21%, 1/14/06	\$ 5,
Term Loan C, 7.46%, 1/14/07	5,
Superior Telecom Inc., Term Loan B, 7.875%, 11/27/05	9,
DRUG STORE CHAINS .5%	
Rite Aid Corp., Term Loan, 7.313 - 7.375%, 3/15/05	10,
Shoppers Drug Mart, Term Loan C, 6.875 - 6.938%, 2/04/08	2,
ELECTRIC UTILITIES: CENTRAL .3%	
Western Resources Inc., Term Loan, 6.585%, 3/17/03	8,
ELECTRIC UTILITIES: EAST .1%	
AES New York Funding LLC., Term Loan, 6.563%, 9/19/01	3,
ELECTRIC UTILITIES: SOUTH 1.5%	
AES Texas Funding III, Term Loan, 6.563%, 3/31/02	41,
ELECTRONIC COMPONENTS .8%	
Seagate Technology Holdings Inc., Term Loan B, 7.063%, 11/22/06	22,
ENGINEERING & CONSTRUCTION 1.4%	
URS Corp.,	
Term Loan B, 7.125%, 6/09/06	
Term Loan C, 7.375%, 6/09/07	
(c) Washington Group Inc., Term Loan B, 9.00%, 7/07/07	54,
ENVIROMENTAL SERVICES 3.0%	
Allied Waste Industries Inc.,	
Term Loan B, 6.563 - 6.688%, 7/30/06	29,
Term Loan C, 6.813 - 7.00%, 7/30/07	34,
Environmental Systems, Products Holdings Inc.,	
PIK Loan, 7.205 - 7.24%, 12/31/04	8,
Term Loan, 7.705 - 7.784%, 12/31/04	21,

Edgar Filing: FRANKLIN FLOATING RATE TRUST - Form N-30D

FARMING/SEEDS/MILLING .1%  
 Hines Nursery, Term Loan B, 7.563 - 7.875%, 2/28/05 2,

FINANCE COMPANIES 3.0%  
 ARES IV, Term Loan D, 144A, 9.75%, 12/22/12 1,  
 Centurion II, Tranche D, 10.03%, 11/12/12 2,  
 Clydesdale CLO, Tranche D1 144A, 10.629%, 3/22/13 2,

(c) Finova Capital Corp.,  
 Citibank Facility, 9.00%, 5/02/03 42,  
 Revolver, 8.75%, 5/16/03 30,

15

FRANKLIN FLOATING RATE TRUST  
 STATEMENT OF INVESTMENTS, JULY 31, 2001 (CONT.)

-----  
 PRI  
 AM

(a) SENIOR FLOATING RATE INTERESTS (CONT.)  
 FINANCE COMPANIES (CONT.)  
 First Dominion Funding II, sub. floating rate deb, Series A-D 144A, 9.35%, 4/25/14 \$ 3,  
 Helm Holding Corp., Term Loan B, 7.543%, 10/18/06 5,  
 Highland CLO I, Term Loan D 144A, 9.929%, 6/01/11 2,

FINANCIAL CONGLOMERATES 3.6%  
 Conseco Inc., Term Loan, 6.21 - 6.32%, 9/30/01 105,

FOOD CHAINS .3%  
 Buffets Inc., Term Loan B, 7.50 - 7.563%, 1/15/07 1,  
 Winn-Dixie Stores, Term Loan B, 6.563%, 3/31/07 7,

FOOD: MAJOR DIVERSIFIED .1%  
 Interstate Brands Corp., Term Loan B, 6.01 - 6.031%, 7/19/07 2,

FOOD: SPECIALTY/CANDY .1%  
 Cott Corp. (BCB USA Corp.), Term Loan, 6.79%, 12/31/06 2,

HOSPITAL/NURSING MANAGEMENT 4.1%  
 Genesis Health Ventures Inc.,  
 (d) Revolver, 7.08 - 7.25%, 9/30/03 32,  
 Term Loan B, 7.33%, 9/30/04 2,  
 Term Loan C, 7.58%, 9/30/05 2,  
 HCA - Healthone LLC, Term Loan B, 7.28%, 6/30/05 6,

Edgar Filing: FRANKLIN FLOATING RATE TRUST - Form N-30D

Healthsouth Corp., Term Loan, 5.71%, 6/22/03	18,
Iasis Healthcare Corp.,	
Term Loan A, 7.20 - 7.23%, 9/30/04	4,
Term Loan B, 7.95 - 7.98%, 9/30/06	8,
(c) Integrated Health Services Inc.,	
Revolver, 11.75%, 9/30/03	32,
Term Loan B, 11.75%, 9/30/04	7,
Term Loan C, 11.75%, 12/31/05	4,
(c) Mariner Post-Acute Network Inc.	
Revolver, 9.00%, 3/31/04	6,
Term Loan A, 9.00%, 3/31/04	14,
Term Loan B, 9.00%, 3/31/05	2,
Term Loan C, 9.00%, 3/31/06	2,
(c) Multicare Companies Inc.,	
Term Loan B, 9.75%, 9/30/04	2,
Term Loan C, 9.75%, 9/30/05	
Triad Hospitals Inc., Term Loan B, 6.81%, 9/30/08	4,
HOTEL/RESORTS 4.7%	
Extended Stay America Inc., Term Loan B, 6.563%, 7/01/07	16,
Sunburst Hospitality Corp.,	
Term Loan, 7.81%, 12/21/05	22,
Term Loan 1, 7.81%, 1/04/03	1,

16

FRANKLIN FLOATING RATE TRUST  
STATEMENT OF INVESTMENTS, JULY 31, 2001 (CONT.)

	PRI
	AM
-----	
(a) SENIOR FLOATING RATE INTERESTS (CONT.)	
HOTEL/RESORTS (CONT.)	
Wyndham International Inc.,	
Increasing Rate Note, 8.625%, 6/30/04	\$ 39,
(d) Revolver, 6.813 - 6.875%, 6/30/05	2,
Term Loan B, 8.125%, 6/30/06	52,
INDUSTRIAL MACHINERY/COMPONENTS .8%	
Blount International Inc., Term Loan B, 8.085 - 9.645%, 6/30/06	14,
Gleason Corp., Term Loan B, 7.25 - 7.50%, 2/18/08	4,
Thermadyne LLC,	
Term Loan B, 6.78%, 5/22/05	2,
Term Loan C, 7.03%, 5/22/06	2,

MARINE SHIPPING .5%



Edgar Filing: FRANKLIN FLOATING RATE TRUST - Form N-30D

Great Lakes Transportation, Term Loan, 7.75 - 7.813%, 3/23/08

13,

MARINE TRANSPORTATION .1%

American Commercial Lines LLC,  
 Term Loan B, 8.063%, 6/30/06  
 Term Loan C, 8.313%, 6/30/07

1,  
 1,

MEDIA CONGLOMERATES .7%

(c)Bridge Information Systems Inc.,  
 Multi-Draw, 9.50%, 5/29/03  
 (d)Revolver, 9.25%, 7/07/03  
 Term Loan A, 9.50%, 5/29/03  
 Term Loan B, 8.75%, 7/07/05

3,  
 2,  
 1,  
 38,

MEDICAL/NURSING SERVICES 1.6%

American HomePatient Inc., Term Loan, 7.375%, 12/31/02  
 Apria Healthcare Group Inc., Term Loan B, 6.80%, 7/20/07  
 Maxxim Medical Inc.,  
 Term Loan B, 8.063%, 5/12/06  
 Term Loan C, 8.313%, 5/12/07  
 (d)NCS HealthCare Inc., Revolver, 9.00%, 5/31/02

37,  
 5,  
 2,  
 2,  
 8,

MEDICAL SPECIALTIES .2%

Alliance Imaging Inc.,  
 Term Loan B, 7.813%, 11/02/07  
 Term Loan C, 8.063%, 11/02/08  
 Hanger Orthopedic Group Inc., Term Loan B, 9.658%, 12/31/06

1,  
 2,  
 2,

17

FRANKLIN FLOATING RATE TRUST  
 STATEMENT OF INVESTMENTS, JULY 31, 2001 (CONT.)

(a) SENIOR FLOATING RATE INTERESTS (CONT.)

METAL FABRICATIONS .7%

Fairchild Holdings, Term Loan B, 6.831 - 6.85%, 12/15/04  
 Mueller Group,  
 Term Loan B, 7.45 - 7.75%, 8/16/05  
 Term Loan C, 7.70 - 8.00%, 8/16/06  
 Term Loan D, 7.72 - 8.00%, 8/16/07

PRI  
 AM

\$ 8,  
 9,

Edgar Filing: FRANKLIN FLOATING RATE TRUST - Form N-30D

MILITARY/GOVERNMENT/TECHNICAL .5%

Alliant Techsystems Inc., Term Loan B, 6.75%, 4/20/09  
 Titan Corp., Term Loan B, 6.70 - 6.88%, 2/23/06  
 Veridian Corp., Term Loan, 7.54 - 8.99%, 9/14/06

5,  
1,  
4,

MOVIES/ENTERTAINMENT 3.3%

(d)AMC Entertainment Inc., Revolver, 6.293 - 8.25%, 4/10/04  
 AMF Bowling Inc.,  
     Axel A, 10.00%, 3/31/03  
     Axel B, 10.50%, 3/31/04  
 (d)Revolver, 11.50%, 3/31/02  
     Term Loan A, 9.50%, 3/31/02  
 Dreamworks Film Trust II, Term Loan B, 6.47%, 1/15/09  
 Fitness Holdings Worldwide Inc.,  
     Term Loan B, 8.00%, 11/02/06  
     Term Loan C, 8.25%, 11/20/07  
 Hoops LP (Van Grizzlies) Term Loan, 8.41%, 9/30/05  
 (d)Loew's Cineplex Entertainment Corp., Revolver, 8.50%, 7/31/03  
 Phoenix Suns, Term Loan B, 5.83 - 6.886%, 3/31/05  
 (c)Regal Cinemas Inc.,  
     (d)Revolver, 8.00%, 5/26/05  
         Term Loan A, 6.75%, 5/26/05  
         Term Loan C, 8.25%, 5/24/07  
 Six Flags (Premier Parks) Inc., Term Loan B, 6.85%, 11/03/05  
 United Artists Theaters, Term Loan, 7.78%, 2/02/05  
 Washington Football Inc.,  
     Term Loan A, 5.90%, 10/22/04  
     Term Loan B, 6.615 - 6.665%, 10/22/04

4,  
6,  
2,  
4,  
2,  
4,  
10,  
10,  
4,  
10,  
20,  
3,  
2,  
1,  
8,

NEWSPAPERS .9%

Canwest Media Inc.,  
     Term Loan B, 8.90%, 5/15/08  
     Term Loan C, 9.15%, 5/15/09  
 Trader.Com, (Netherlands)  
     Term Loan B, 6.775%, 12/31/06  
     Term Loan C, 7.275%, 12/31/07

10,  
6,  
4,  
3,

18

FRANKLIN FLOATING RATE TRUST  
 STATEMENT OF INVESTMENTS, JULY 31, 2001 (CONT.)

Edgar Filing: FRANKLIN FLOATING RATE TRUST - Form N-30D

(a) SENIOR FLOATING RATE INTERESTS (CONT.)  
 NON-U.S. UTILITIES .9%  
 AES EDC Funding II, Term Loan, 6.955%, 10/06/03 .....

OTHER METALS/MINERALS .2%  
 Better Minerals & Aggregates, Term Loan B, 7.563%, 9/30/07 .....

OTHER TELECOMMUNICATIONS 6.4%  
 (c) 360 Networks Inc., Term Loan, 10.25%, 12/15/07 .....  
 Arch Wireless Inc., .....  
     Term Loan B-1, 7.313 - 7.438%, 6/30/06 .....  
     Term Loan B, 7.125%, 6/30/05 .....  
     Term Loan C, 10.688%, 6/30/06 .....  
 Cricket Communications Inc., Term Loan, 8.563%, 6/30/07 .....  
 E.Spire Communications Inc., Term Loan C, 10.75%, 8/01/06 .....  
 Global Crossing Holdings Ltd., Term Loan B, 6.46%, 8/15/06 .....  
 ICG Communications Inc., Term Loan B, 9.50%, 3/31/06 .....  
 ITC Deltacom Inc., Term Loan B, 6.665%, 9/05/07 .....  
 Level 3 Communications Inc., Term Loan A, 6.60%, 9/30/07 .....  
 Mcleod USA Inc., Term Loan B, 7.06%, 5/30/08 .....  
 Northpoint Communications Group Inc., Term Loan, 10.25%, 3/31/04 .....  
 RCN Corp., Tranche B, 7.75%, 6/03/07 .....  
 Satelites Mexicanos, Term Loan C 144A, 8.21%, 6/30/04 (Mexico) .....

(c) Teligent Inc.,  
     Conversion Term Loan, 10.25%, 6/30/06 .....  
     Multi-Draw Term Loan, 9.865 - 10.25%, 6/30/06 .....  
     Time Warner Telecom Inc., Term Loan B, 8.74%, 12/15/07 .....

(c) WCI Capital Corp., Term Loan B, 12.25%, 3/31/07 .....  
 Winstar Communications Inc., DIP, 6.71 - 7.71%, 12/31/02 .....  
 XO Communications Inc., Term Loan B, 7.813%, 6/30/07 .....

PACKAGE GOODS/CONTAINERS .3%  
 Pliant Corp., Term Loan B, 7.625%, 5/31/08 .....

PACKAGED FOODS 3.3%  
 Agrilink Foods,  
     Term B, 7.73%, 9/30/04 .....  
     Term C, 7.98%, 9/30/05 .....  
 Aurora Foods Inc.,  
 (d) Revolver, 7.36 - 7.581%, 6/30/05 .....  
     Term Loan, 7.25%, 6/30/05 .....  
     Term Loan A, 7.525%, 6/30/05 .....  
     Term Loan B, 8.025%, 9/30/06 .....  
 B&G Foods Inc., Term Loan B, 7.81 - 8.65%, 3/31/06 .....  
 Burns Philip,  
     Citibank Revolver, 5.076%, 8/17/01 .....  
     IBJ Australia, 5.09%, 8/17/01 .....  
     Sakura Finance, 5.09%, 8/17/01 .....

Edgar Filing: FRANKLIN FLOATING RATE TRUST - Form N-30D

(a) SENIOR FLOATING RATE INTERESTS (CONT.)

PACKAGED FOODS (CONT.)

CP Kelco,

Term Loan B, 7.46%, 3/15/08 .....

Term Loan C, 7.71%, 9/15/08 .....

Merisant Corp., Term Loan B, 7.00%, 3/31/07 .....

Nutrasweet,

Second Lien Term Loan, 8.938%, 5/24/09 .....

Term Loan B, 7.313%, 5/15/07 .....

PRINTING/FORMS 2.0%

American Reprographics, Term Loan B, 7.52%, 4/10/08 .....

Dimac Holdings Inc.,

Term Loan A, 9.75%, 12/31/05 .....

Term Loan B, 9.75%, 1/01/02 .....

Dimac Marketing Partners,

Revolver, 9.75%, 7/01/03 .....

Term Loan A, 9.75%, 7/01/03 .....

Term Loan B, 9.75%, 1/01/05 .....

Mail-Well Inc., Term Loan B, 6.78 - 6.84%, 2/22/07 .....

Vertis,

Bridge Term Loan, 13.50%, 12/09/09 .....

Term Loan B, 7.50 - 8.063%, 12/31/08 .....

PROPERTY/CASUALTY INSURANCE 1.1%

White Mountain Insurance Group LTD., Term Loan B, 6.815%, 3/31/07 .....

PULP & PAPER .7%

Alabama Pine & Pulp,

Term Loan A, 7.78%, 6/30/03 .....

PIK Term Loan B, 7.78%, 6/30/05 .....

PIK Term Loan C, 10.75%, 6/30/05 .....

RAILROADS .1%

Kansas City Southern Industries Inc., Term Loan B, 6.83 - 6.875%, 1/11/07 .....

REAL ESTATE INVESTMENT TRUSTS 3.5%

Corrections Corp. of America

Term Loan B, 8.33%, 12/31/02 .....

Term Loan C, 8.34%, 12/31/02 .....

Ventas Realty LP,

Term Loan A, 6.46%, 12/31/02 .....

Term Loan B, 7.46%, 12/31/05 .....

Term Loan C, 7.96%, 12/31/07 .....

# Edgar Filing: FRANKLIN FLOATING RATE TRUST - Form N-30D

FRANKLIN FLOATING RATE TRUST  
STATEMENT OF INVESTMENTS, JULY 31, 2001 (CONT.)

-----  
(a) SENIOR FLOATING RATE INTERESTS (CONT.)

RENTAL/LEASING COMPANIES 2.3%

Ashtead Group PLC., Term Loan B, 6.83%, 6/30/07 .....  
Nations Rent Inc., Term Loan, 8.25%, 7/20/06 .....  
Rent-Way Inc., Term Loan B, 10.25%, 9/30/06 .....  
United Rentals Inc., Term Loan B, 6.79 - 6.85%, 9/30/07 .....

SEMICONDUCTORS .8%

ON Semiconductor Corp.,

(d) Revolver, 7.063%, 8/04/05 .....  
Term Loan A, 7.00 - 7.75%, 8/04/05 .....  
Term Loan B, 7.438%, 8/04/06 .....  
Term Loan C, 8.313%, 8/04/07 .....  
Term Loan D, 7.563%, 8/04/07 .....

SERVICES TO THE HEALTH INDUSTRY .1%

Dade Behring,

Term Loan B, 7.375%, 6/29/06 .....  
Term Loan C, 7.375%, 6/29/07 .....  
Unilab Corp., Term Loan, 7.313%, 11/23/06 .....

SPECIALTY CHEMICALS .6%

Hercules Inc., Term Loan D, 6.99%, 11/15/05 .....  
Ineos Group Ltd., Term Loan C, 7.33%, 6/30/09 .....  
Kosa BV, Term Loan B, 6.96%, 12/31/06 .....  
OM Group Inc., Term Loan B, 8.75%, 3/31/07 .....

STEEL/IRON ORE .6%

Ispat Sidbec Inc. ....  
Term B, 7.46%, 7/16/04 .....  
Term C, 7.96%, 1/16/05 .....  
LTV Corp., Term Loan, 8.36 - 10.625%, 10/31/04 .....

TELECOMMUNICATIONS EQUIPMENT 1.7%

Acterna Dynatech Corp., Term Loan B, 6.96%, 9/30/07 .....  
American Tower Corp., Term Loan B, 7.01%, 12/31/07 .....  
Crown Castle Operating Co., Term Loan B, 6.46%, 3/15/08 .....  
Pacific Crossing Ltd., Term Loan, 6.063%, 7/28/06 .....

TEXTILES .6%

Pillowtex Corp., Term Loan B, 6.21 - 7.71%, 12/31/04 .....

Edgar Filing: FRANKLIN FLOATING RATE TRUST - Form N-30D

Synthetic Industries Inc., Bridge Loan, 14.25%, 6/14/08 .....  
  
TOOLS/HARDWARE .1%  
Shop Vac Corp., Term Loan, 6.43%, 6/30/07 .....

21

FRANKLIN FLOATING RATE TRUST  
STATEMENT OF INVESTMENTS, JULY 31, 2001 (CONT.)

-----  
(a) SENIOR FLOATING RATE INTERESTS (CONT.)

TRANSPORTATION 1.4%  
Eurotunnel Finance Ltd.,  
Tier 1 Jr Debt, 7.03%, 7/01/25 .....  
Tier 2 Jr Debt, 7.03%, 7/01/25 .....

UTILITIES 1.0%  
Mission Energy Holdings,  
Term Loan A, 11.29%, 6/30/06 .....  
Term Loan B, 11.29%, 6/30/06 .....

WHOLESALE DISTRIBUTORS .3%  
Spartan Stores, Term Loan, 7.00 - 7.063%, 3/18/07 .....  
Wilmar Industries Inc., Term Loan B, 7.79%, 3/31/07 .....

TOTAL SENIOR FLOATING RATE INTERESTS (COST \$3,015,605,242) .....

COMMON STOCKS & WARRANTS .1%  
COMMUNICATIONS AND MEDIA  
Rivus Internet Group Inc .....

CONSUMER PRODUCTS .1%  
United Artist Theatres .....

ENVIRONMENTAL SERVICES

Edgar Filing: FRANKLIN FLOATING RATE TRUST - Form N-30D

Environmental Systems Products Holdings Inc. ....	
MANUFACTURING - METALS & MINERALS	
Exide Corp. ....	
TOTAL COMMON STOCKS & WARRANTS (COST \$1,411,052) .....	
PREFERRED STOCKS	
BANKS AND FINANCIAL SERVICES	
Dimac Holdings Inc. 20% PIK pfd .....	
BUSINESS SERVICES	
Environmental Systems Products Holdings Inc., pfd .....	
TOTAL PREFERRED STOCKS (COST \$356,100) .....	
TOTAL LONG TERM INVESTMENTS (COST \$3,017,372,394) .....	

22

FRANKLIN FLOATING RATE TRUST  
STATEMENT OF INVESTMENTS, JULY 31, 2001 (CONT.)

---

SHORT TERM INVESTMENTS 2.9%	
(b) Franklin Institutional Fiduciary Trust Money Market Portfolio (COST \$82,162,797) .	
TOTAL INVESTMENTS (COST \$3,099,535,191) 102.4% .....	
OTHER ASSETS, LESS LIABILITIES (2.4%) .....	
NET ASSETS 100.0% .....	

CURRENCY ABBREVIATIONS:  
GBP - British Pounds

- \* The principal amount is stated in U.S. dollars unless otherwise indicated.
- (a) Senior secured corporate loans in the Fund's portfolio generally have variable rates which adjust to a base, such as the London Inter-Bank Offered Rate (LIBOR), on the set dates, typically every 30 days but not greater than one year; and/or have interest rates that float at a margin above a widely recognized base lending rate such as the Prime Rate of a designated U.S. Bank.
  - (b) The Franklin Institutional Fiduciary Trust Money Market Portfolio (The

Edgar Filing: FRANKLIN FLOATING RATE TRUST - Form N-30D

- "Sweep Money Fund") is managed by Franklin Advisers, Inc.
- (c) See Note 6 regarding defaulted securities.
- (d) See Note 7 regarding unfunded loan commitments.

See notes to financial statements.

23

FRANKLIN FLOATING RATE TRUST  
Financial Statements

STATEMENT OF ASSETS AND LIABILITIES  
JULY 31, 2001

Assets:

Investments in securities:

Cost .....

Value .....

Cash .....

Receivables:

Investment securities sold .....

Capital shares sold .....

Interest .....

Organization costs .....

Total assets .....

Liabilities:

Payables:

Investment securities purchased .....

Affiliates .....

Shareholders .....

Deferred facility fees (Note 1) .....

Distributions to shareholders .....

Other liabilities .....

Total liabilities .....

Net assets, at value .....

Net assets consist of:

Undistributed net investment income .....

Net unrealized depreciation .....

Accumulated net realized loss .....

Capital shares .....

Net assets, at value .....

Net asset value and maximum offering price per share (\$2,832,187,660 / 306,558,913 shares outsta



Edgar Filing: FRANKLIN FLOATING RATE TRUST - Form N-30D

(a) Redemption price is equal to net asset value less any applicable contingent deferred sales charge.

See notes to financial statements.

24

FRANKLIN FLOATING RATE TRUST  
Financial Statements (continued)

STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED JULY 31, 2001

Investment income:

Dividends .....  
Interest .....

Total investment income .....

Expenses:

Management fees (Note 3) .....  
Administrative fees (Note 3) .....  
Transfer agent fees (Note 3) .....  
Custodian fees .....  
Reports to shareholders .....  
Registration and filing fees .....  
Professional fees .....  
Trustees' fees and expenses .....  
Amortization of organization costs .....  
Other .....

Total expenses .....

Net investment income .....

Realized and unrealized gains (losses):

Net realized loss from:  
Investments .....  
Foreign currency transactions .....

Net realized loss .....

Net unrealized appreciation (depreciation) on:  
Investments and interest rate swap contracts .....  
Translation of assets and liabilities denominated in foreign currencies .....

Net unrealized depreciation .....

Net realized and unrealized loss .....

Net increase in net assets resulting from operations .....

See notes to financial statements.

FRANKLIN FLOATING RATE TRUST  
 Financial Statements (continued)

STATEMENTS OF CHANGES IN NET ASSETS  
 FOR THE YEARS ENDED JULY 31, 2001 AND 2000

Increase (decrease) in net assets:		
Operations:		
Net investment income .....		\$
Net realized gain (loss) from investments and foreign currency transactions .....		
Net unrealized depreciation on investments and translation of assets and liabilities denominated in foreign currencies .....		
Net increase in net assets resulting from operations .....		
Distributions to shareholders from net investment income .....		
Capital share transactions (Note 2) .....		
Net increase in net assets .....		
Net assets:		
Beginning of year .....		
End of year .....		\$
Undistributed net investment income included in net assets:		
End of year .....		\$

See notes to financial statements.

26

FRANKLIN FLOATING RATE TRUST  
 Financial Statements (continued)

STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JULY 31, 2001

Cash flow from operating activities:	
Interest and facility fees received .....	
Operating expenses paid .....	
Cash provided - operations .....	
Cash flow from investing activities:	
Investment purchases .....	

Edgar Filing: FRANKLIN FLOATING RATE TRUST - Form N-30D

Investment sales and maturities .....	
Cash used - investments .....	
Cash flow from financing activities:	
Distributions to shareholders .....	
Net proceeds from capital shares sold .....	
Cash provided - financing activities .....	
Net increase in cash: .....	
Cash at beginning of year .....	
Cash at end of year .....	

RECONCILIATION OF NET INVESTMENT INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES FOR THE YEAR ENDED JULY 31, 2001

Net investment income .....	
Amortization income .....	
Decrease in interest receivable .....	
Increase in other liabilities .....	
Facility fees received .....	
Amortization of offering costs .....	
Income in kind .....	
Cash provided - operations .....	

See notes to financial statements.

FRANKLIN FLOATING RATE TRUST  
Notes to Financial Statements

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Franklin Floating Rate Trust (the Fund) is registered under the Investment Company Act of 1940 as a non-diversified, closed-end, continuously offered investment company. The Fund seeks current income and preservation of capital. The following summarizes the Fund's significant accounting policies.

a. SECURITY VALUATION:

The Fund invests primarily in senior secured corporate loans and senior secured debt that meet credit standards established by Franklin Advisers, Inc. Investment in these securities may be considered illiquid and prompt sale of these securities at an acceptable price may be difficult.

The Fund values its securities based on quotations provided by banks, broker/dealers or pricing services experienced in such matters. Restricted securities and securities for which market quotations are not readily available are valued at fair value as determined by management in accordance with procedures established by the Board of Trustees.

## Edgar Filing: FRANKLIN FLOATING RATE TRUST - Form N-30D

### b. FOREIGN CURRENCY TRANSLATION:

Portfolio securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars based on the exchange rate of such currencies against U.S. dollars on the date of valuation. Purchases and sales of securities and income items denominated in foreign currencies are translated into U.S. dollars at the exchange rate in effect on the transaction date.

The Fund does not separately report the effect of changes in foreign exchange rates from changes in market prices on securities held. Such changes are included in net realized and unrealized gain or loss from investments.

Realized foreign exchange gains or losses arise from sales of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions and the difference between the recorded amounts of dividends, interest, and foreign withholding taxes and the U.S. dollars equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in foreign exchange rates on foreign denominated assets and liabilities other than investments in securities held at the end of the reporting period.

### c. INTEREST RATE SWAP

The Fund may enter into interest rate swap contracts to hedge the risk of changes in interest rates. Interest rate swaps are agreements between two parties to exchange cash flows based on a notional principal amount. The net interest received or paid on interest rate swap agreements is accrued daily as interest income/expense. Interest rate swaps are marked to market daily based upon quotations from the market makers and the change, if any, is recorded as an unrealized gain or loss in the Statement of Operations. When the swap contract is terminated early, the Fund records a realized gain or loss equal to the difference between the current realized value and the expected cash flows. The risks of interest rate swaps include changes in market conditions and the possible inability of the counterparty to fulfill their obligations under the agreement.

### d. INCOME TAXES:

No provision has been made for income taxes because the Fund's policy is to qualify as a regulated investment company under the Internal Revenue Code and distribute substantially all of its taxable income.

28

FRANKLIN FLOATING RATE TRUST  
Notes to Financial Statements (continued)

### 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT.)

#### e. SECURITY TRANSACTIONS, INVESTMENT INCOME, EXPENSES AND DISTRIBUTIONS:

Security transactions are accounted for on trade date. Realized gains and losses on security transactions are determined on a specific identification basis. Interest income and estimated expenses are accrued daily. Discount from securities is amortized on an income tax basis. Facility fees received are recognized as income over the expected term of the loan. Dividend income and distributions to shareholders are recorded on the ex-dividend date.

#### f. ORGANIZATION COSTS:

## Edgar Filing: FRANKLIN FLOATING RATE TRUST - Form N-30D

Organization costs are amortized on a straight-line basis over five years.

### g. ACCOUNTING ESTIMATES:

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the amounts of income and expense during the reporting period. Actual results could differ from those estimates.

### h. LINE OF CREDIT

The Fund has two unsecured lines of credit, which subject to limitations, allows the fund to borrow up to an aggregate maximum amount of \$75,000,000 to meet shareholder redemptions. Borrowings under the lines of credit bear interest at the Federal Funds Rate plus .50% per year.

## 2. SHARES OF BENEFICIAL INTEREST

The Fund may, on a quarterly basis, make tender offers at net asset value for the repurchase of a portion of the common shares outstanding. The price will be established as of the close of business on the day the tender offer ends. An early withdrawal charge may be imposed on shares offered for tender which have been held for less than twelve months.

At July 31, 2001, there were an unlimited number of shares authorized (\$.01 par value). Transactions in the Fund's shares were as follows:

	YEAR ENDED	
	2001	
	SHARES	AMOUNT
Shares sold .....	135,483,175	\$ 1,307,595,804
Shares issued in reinvestment of distributions .....	19,247,577	184,070,432
Shares redeemed .....	(106,217,953)	(1,011,628,090)
Net increase .....	48,512,799	\$ 480,038,146

29

FRANKLIN FLOATING RATE TRUST  
Notes to Financial Statements (continued)

## 3. TRANSACTIONS WITH AFFILIATES

Certain officers and trustees of the Fund are also officers and/or directors of Franklin Advisers, Inc. (Advisers), Franklin/Templeton Distributors, Inc. (Distributors), Franklin Templeton Services, LLC (FT Services) and Franklin/Templeton Investor Services, LLC (Investor Services), the Fund's investment manager, principal underwriter, administrative manager and transfer

## Edgar Filing: FRANKLIN FLOATING RATE TRUST - Form N-30D

agent, respectively.

The Fund pays an investment management fee to Advisers of .80% per year of the average daily net assets of the Fund.

Management fees were reduced on assets invested in the Sweep Money Fund.

Distributors received contingent deferred sales charges for the year of \$1,707,896.

The Fund pays an administrative fee to FT Services based on the net assets of the Fund as follows:

ANNUALIZED FEE RATE	AVERAGE DAILY NET ASSETS
.150%	First \$200 million
.135%	Over \$200 million, up to and including \$700 million
.100%	Over \$700 million, up to and including \$1.2 billion
.075%	In excess of \$1.2 billion

The Fund pays a transfer agent fee to Investor Services of .40% per year of the average daily net assets of the Fund.

#### 4. INCOME TAXES

At July 31, 2001, the unrealized depreciation based on the cost of investments for income tax purposes of \$3,105,342,828 was as follows:

Unrealized appreciation	\$ 57,099,959
Unrealized depreciation	(262,646,707)
	-----
Net unrealized depreciation	\$ (205,546,748)
	=====

At July 31, 2001, the Fund had tax basis capital losses of \$4,581,379 which may be carried over to offset future capital gains. Such losses expire in 2008.

At July 31, 2001, the Fund has deferred capital losses occurring subsequent to October 31, 2000 of \$2,231,923. For tax purposes, such losses will be reflected in the year ending July 31, 2002.

Net investment income differs for financial statement and tax purposes primarily due to differing treatments of defaulted securities and foreign currency transactions.

Net realized capital losses differ for financial statement and tax purposes primarily due to differing treatment of wash sales and foreign currency transactions.

## Edgar Filing: FRANKLIN FLOATING RATE TRUST - Form N-30D

Notes to Financial Statements (continued)

### 5. INVESTMENT TRANSACTIONS

Purchases and sales of securities (excluding short-term securities) for the year ended July 31, 2001 aggregated \$2,853,743,643 and \$2,311,517,463 respectively.

### 6. INTEREST RATE SWAP AGREEMENT

As of July 31, 2001, the Fund had the following interest rate swap contract outstanding:

MATURITY DATE	NOTIONAL AMOUNT	RATE PAID BY THE FUND	RATE RECEIVED BY THE FUND	UNREALIZED DEPRECIATION
July 9, 2007	\$4,000,000	10.125%	7.414%	\$ (327,060)

### 7. CREDIT RISK AND DEFAULTED SECURITIES

The Fund has 94% of its portfolio invested in below investment grade and comparable quality unrated high yield securities, which tend to be more sensitive to economic conditions rather than higher rated securities. At July 31, 2001, the Fund held defaulted securities with a value aggregating \$264,153,799 representing 9.33% of the Fund's net assets. For information as to specific securities, see the accompanying Statement of Investments.

For financial reporting purposes, the Fund discontinues accruing income on defaulted bonds and provides an estimate for losses on interest receivable.

### 8. UNFUNDED LOAN COMMITMENTS

As of July 31, 2001, the Fund had unfunded loan commitments, which would be extended at the option of the borrowers, pursuant to the following loan agreements:

SECURITY	COMMITMENT AMOUNT	UNFUNDED AMOUNT
Allegiance Telecom Inc., Revolver .....	\$35,000,000	\$ 35,000,000
AMC Entertainment, Revolver .....	10,000,000	9,647,059
AMF Bowling Inc., Revolver .....	2,185,234	71,400
Aurora Foods Inc., Revolver .....	5,798,166	927,707
Blockbuster Inc., Revolver .....	33,350,002	21,960,387
Bridge Information Systems Inc., DIP .....	2,000,000	2,000,000
Bridge Information Systems Inc., Revolver .....	2,802,730	196,179
Charter Communications CCVI, Revolver .....	875,000	875,000
Genesis Health Ventures Inc., Revolver .....	32,572,735	56,575
ICG Communications .....	20,000,000	20,000,000
JC Penney Co., Revolver .....	27,500,000	27,500,000
Level 3 Communications Inc., Revolver .....	23,636,364	23,636,364
Loew's Cineplex Entertainment Corp., Revolver .	4,998,389	33,966

FRANKLIN FLOATING RATE TRUST  
Notes to Financial Statements (continued)

8. UNFUNDED LOAN COMMITMENTS (CONT.)

SECURITY	COMMITMENT AMOUNT	UNFUNDED AMOUNT
Pillowtex Corp., Revolver .....	\$10,000,000	\$ 10,000,000
Playtex Products Inc., Revolver .....	2,777,778	2,777,778
Regal Cinemas Inc., Revolver .....	21,183,131	211,832
Rent-A-Center Inc., Revolver .....	1,984,654	1,984,654
ON Semiconductor, Revolver .....	1,071,429	178,572
Sinclair Broadcasting Group Inc., Revolver ....	12,520,111	5,128,149
VoiceStream Holdings LLC, Revolver .....	20,000,000	20,000,000
Washington Group DIP .....	20,000,000	20,000,000
Wyndham International Inc., Revolver .....	10,000,000	7,470,000
		-----
		\$209,655,622
		-----

32

FRANKLIN FLOATING RATE TRUST  
Independent Auditors' Report

TO THE SHAREHOLDERS AND BOARD OF TRUSTEES  
OF FRANKLIN FLOATING RATE TRUST

In our opinion, the accompanying statement of assets and liabilities, including the statement of investments, and the related statements of operations, cash flows, and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Franklin Floating Rate Trust ("the Fund") at July 31, 2001, the results of its operations and its cash flows for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the periods presented, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Fund's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with auditing standards generally accepted in the United States of America which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing



Edgar Filing: FRANKLIN FLOATING RATE TRUST - Form N-30D

the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at July 31, 2001 by correspondence with the custodian and brokers, provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP

San Francisco, California  
September 6, 2001

33

This page intentionally left blank.

This page intentionally left blank.

This page intentionally left blank.