

FRANKLIN FLOATING RATE TRUST  
Form N-30D  
September 30, 2002

Annual

Report

(GRAPHIC APPEARS HERE)

JULY 31, 2002

FRANKLIN FLOATING RATE TRUST

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INVESTMENTS

THANK YOU FOR INVESTING WITH  
FRANKLIN TEMPLETON. WE ENCOURAGE  
OUR INVESTORS TO MAINTAIN A LONG-TERM  
PERSPECTIVE AND REMEMBER THAT ALL  
SECURITIES MARKETS MOVE BOTH UP AND  
DOWN, AS DO MUTUAL FUND SHARE PRICES.  
WE APPRECIATE YOUR PAST SUPPORT  
AND LOOK FORWARD TO SERVING YOUR  
INVESTMENT NEEDS IN THE YEARS AHEAD.

(PHOTO APPEARS HERE)

CHARLES B. JOHNSON  
CHAIRMAN  
FRANKLIN FLOATING RATE TRUST

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SHAREHOLDER LETTER

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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.  
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Dear Shareholder:

This annual report for Franklin Floating Rate Trust covers the fiscal year ended July 31, 2002.

ECONOMIC OVERVIEW

The U.S. economy was already in a recession at the beginning of the year under review, weakened by slack industrial demand and rising unemployment, when the September 11 terrorist attacks exacerbated the downturn. Since early 2001, the Federal Reserve Board had anticipated the potential slowdown and reduced borrowing rates to help spur economic activity. The federal funds target rate, which was 3.75% on July 31, 2001, stood at just 1.75% at period-end.

Short-term interest rates continued their steep descent, with the 3-month London InterBank Offered Rate (LIBOR), the benchmark underlying many of the Trust's floating rate loans, falling significantly from 3.67% on July 31, 2001, to

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FUND CATEGORY

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Global

Growth

Growth

& Income

Income Tax-Free Income

The dollar value, number of shares or principal amount, and complete legal titles of all portfolio holdings are listed in the Fund's Statement of Investments (SOI). The SOI begins on page 12.

### 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.

1.82% on July 31, 2002. Long-term interest rates also declined during the past 12 months, with the 10-year Treasury note yield dropping slightly from 5.07% to 4.51% at period-end. Equity markets fell sharply, as the Dow Jones Industrial Average closed the year under review at 8736.59, down from 10522.81 at the beginning of the reporting period.(1)

### SYNDICATED BANK LOAN MARKET

The bank loan asset class experienced a difficult 12-month period, with challenging conditions in the new-issue market during fourth quarter 2001 and early 2002. Slowing economic trends, continued credit deterioration and multiple corporate accounting scandals created a gloomy outlook for the high yield market. Yield spreads over LIBOR widened considerably, and the loan market was virtually closed to all but the strongest borrowers. By the spring, however, the demand for primary and secondary loan assets improved considerably. A somewhat stronger economy, the apparent stabilization of loan default rates and new demand from institutional investment vehicles helped drive the increased demand.

Throughout much of the reporting period loan investors continued to favor issuers with higher credit quality, allowing a number of more stable borrowers to refinance at lower rates during the first half of 2002. The growing demand for loans gave borrowers the ability to stipulate many concessions from lenders. As a result, the second quarter of 2002 recorded the highest volume of issuance since early 2000, and many issuers

1. The Dow Jones Industrial Average is price-weighted based on the average market price of 30 blue chip stocks of companies that are generally industry leaders.

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were able to refinance their capital structures through a healthy and robust high yield market. Consequently, loan spreads over LIBOR tightened considerably, reducing borrowers' interest expense. The combined effect of narrower loan spreads and LIBOR's significant decline negatively impacted the Fund's returns.

By the end of 2002's second quarter, however, the market began to reverse its course in favor of lenders. Mixed economic figures, high default rates and declining institutional demand contributed to cooling the overheated loan market. The closely linked high yield bond market also weakened significantly, adding more pressure to the bank loan market.

After declining since February 2002, the 12-month institutional default rate hit a new high in June. The default rate change was mainly due to the bankruptcy of Adelphia Communications, a cable television provider that was one of the largest issuers in the high yield loan and bond market. Still, the loan market continued to hold up as some investors believed that default rates would trend downward in the rest of 2002 due to an improving economy and strengthening U.S. manufacturing sector.

Prospects for a loan market rebound exist, benefiting investors with longer-term time horizons. The recent interest rate environment is one of the lowest ever, and, in our opinion, interest rates should eventually rise, benefiting the Fund's yield. We believe default rates should eventually stabilize and then decline.

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### TOP 10 HOLDINGS 7/31/02

COMPANY SECTOR/INDUSTRY	% OF TOTAL NET ASSETS
Wyndham International Inc. HOTEL, RESORTS & CRUISELINES	2.9%
Washington Group International Inc. ENGINEERING & CONSTRUCTION	2.2%
Blockbuster Inc. MOVIES & ENTERTAINMENT	2.2%
UPC Distribution Holdings BV CABLE & SATELLITE TELEVISION	2.1%
Loews Cineplex Entertainment Corp. MOVIES & ENTERTAINMENT	1.5%

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Eurotunnel Finance Ltd.	1.5%
OTHER TRANSPORTATION	
AMC Entertainment Inc.	1.5%
MOVIES & ENTERTAINMENT	
Vertis	1.4%
COMMERCIAL PRINTING & FORMS	
Alabama Pine & Pulp	1.3%
PULP & PAPER	
White Mountains Insurance Group Inc.	1.3%
PROPERTY CASUALTY INSURANCE	

### PORTFOLIO NOTES

During the year under review, we continued to position Franklin Floating Rate Trust defensively, selling off riskier credits and investing in loans in relatively stable industries such as food, media and health care.

We favored the health care industry due to our expectations that hospital services should continue experiencing strong demand regardless of economic conditions. In particular, we like IASIS Healthcare, a for-profit hospital management company, which currently owns or operates 11 hospitals and 5 surgery centers in growing urban markets such as Phoenix, San Antonio, Salt Lake City and Tampa-St.Petersburg.

During the reporting period, we invested in the senior secured credit facility of PanAmSat Corp. PanAmSat is a leading global provider of video, broadcasting and network services through satellites. The company helps deliver entertainment and information to cable television systems, television broadcast affiliates, direct-to-home television operators and telecommunications companies. PanAmSat boasts one of the world's largest commercial geostationary satellite networks, and as a result, is one of only a few companies worldwide capable of servicing a global market through its own satellite fleet. We view this loan as a defensive investment that could hold up if the economy were to slow. PanAmSat should benefit from its strong market share with little competition, as well as the satellite industry's inherently high barriers to entry. In addition, the company seems

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well-positioned with stable revenues and cash flows, high profit margins, and a substantial revenue backlog.

The Fund also recently participated in a refinancing for Corrections Corp. of America, the largest owner and operator of U.S. privatized correctional and detention facilities. The company provides management services for inmates through contracts with approximately 60 federal, state and local agencies. Demographics illustrate this business's defensive nature. The U.S. prison population and incarceration rate have risen steadily since 1925, independent of economic cycles, according to the Bureau of Justice Statistics. Furthermore, recently proposed initiatives related to homeland security may increase demand for prison beds. The President's fiscal year 2003 budget included a proposal for an additional \$2 billion to address national defense, including more than \$1 billion for the U.S. Marshals Service and Immigration and Naturalization Service. We believe Corrections Corp. is well-positioned to benefit from the

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needs discussed above, given the shortfall in federal- and state-owned prison capacity.

Looking forward, we will maintain our strategy of holding loans from companies that we believe possess defensive market positions and strong asset coverage in industries that we feel will do well even during periods of economic decline. With its potential for high, current income, we believe the Fund is an attractive investment for investors seeking to diversify portfolios heavily weighted in equities.

### DIVIDEND DISTRIBUTIONS\* 8/1/01-7/31/02

MONTH	DIVIDEND PER SHARE
August	6.0170 cents
September	5.5148 cents
October	6.3636 cents
November	4.7512 cents
December	5.0032 cents
January	4.6816 cents
February	4.5979 cents
March	4.0554 cents
April	4.9375 cents
May	4.6037 cents
June	3.5885 cents
July	3.9425 cents
TOTAL	58.0569 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.

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YOU WILL RECEIVE THE FUND'S SHAREHOLDER REPORT EVERY SIX MONTHS. TO REDUCE FUND EXPENSES, WE TRY TO IDENTIFY RELATED SHAREHOLDERS IN A HOUSEHOLD AND SEND ONLY ONE COPY OF THE REPORT. THIS PROCESS, CALLED "HOUSEHOLDING," WILL CONTINUE INDEFINITELY UNLESS YOU INSTRUCT US OTHERWISE. IF YOU PREFER NOT TO HAVE THESE DOCUMENTS HOUSEHOLDED, PLEASE CALL US AT 1-800/632-2301. AT ANY TIME YOU MAY VIEW CURRENT SHAREHOLDER REPORTS ON OUR WEBSITE.

We appreciate your investment in Franklin Floating Rate Trust and welcome any comments or suggestions you might have.

Sincerely,

/s/ Charles B. Johnson  
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Charles B. Johnson  
Chairman

/s/ Chauncey Lufkin  
-----

Chauncey Lufkin  
Chief Investment Officer

/s/ Richard D'Addario  
-----

Richard D'Addario  
Portfolio Manager

Franklin Floating Rate Trust

This discussion reflects our views, opinions and portfolio holdings as of July 31, 2002, 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.

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Effective March 2002, CHAUNCEY LUFKIN became Chief Investment Officer (CIO) of Franklin Templeton Investments' Floating Rate Debt Group. Mr. Lufkin will focus on asset growth of the institutional product line and setting strategic investment direction for all the floating rate products, including Franklin Floating Rate Trust.

Also in March 2002, RICHARD D'ADDARIO assumed primary investment responsibility

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for the Floating Rate Debt Group, including day-to-day portfolio management and all trading activities of Franklin Floating Rate Trust. He joined Franklin Templeton Investments in 1996. Mr. D'Addario brings over 15 years of experience in the senior secured loan industry, having worked at Citibank in senior secured lending, working with both corporations and financial institutions, and at Soros Fund Management in New York as the director of banking and finance. From 1996 to mid-2000, he was a research analyst for Templeton and also worked on joint ventures and structured products until joining the senior secured loan area in mid-2000.

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### PERFORMANCE SUMMARY AS OF 7/31/02

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. THE PERFORMANCE TABLE DOES NOT REFLECT THE DEDUCTION OF TAXES THAT A SHAREHOLDER WOULD PAY ON FUND DISTRIBUTIONS OR THE REDEMPTION OF FUND SHARES.

Shares repurchased within 12 months of investment are subject to 1% early withdrawal charge. The Fund's manager agreed in advance to waive a portion of its management fees. If the manager had not taken this action, the Fund's total return would have been lower. The fee waiver may be discontinued at any time, upon notice to the Fund's Board of Trustees.

### PRICE AND DISTRIBUTION INFORMATION

	CHANGE	7/31/02	7/31/01
Net Asset Value (NAV)	-\$0.93	\$8.31	\$9.24
DISTRIBUTIONS (8/1/01-7/31/02)			
Dividend Income	\$0.580569		

### PERFORMANCE

	1-YEAR	3-YEAR	INCEPTION (10/10/97)
Cumulative Total Return(1)	-3.95%	+6.03%	+19.07%
Average Annual Total Return(2)	-4.85%	+1.97%	+3.70%
Avg. Ann. Total Return (6/30/02) (3)	-2.70%	+3.17%	+4.37%
Distribution Rate(4)	5.21%		
30-Day Standardized Yield(5)	7.34%		



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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 distributions totaling 3.6114 cents per share during the last 30 days of July and the \$8.31 NAV on 7/31/02.
5. Yield, calculated as required by the SEC, is based on the earnings of the Fund's portfolio for the 30 days ended 7/31/02.

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.

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### 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

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of the Fund's assets, shareholder servicing and administrative considerations and other factors it deems appropriate. Each 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 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 - 8/1/01 THROUGH 7/31/02

	REPURCHASE REQUEST DEADLINE	REPURCHASE OFFER AMOUNT	% OF SHARES TENDERED*	NUMBER OF SHARES TENDERED*
1.	10/3/01	25%	16.950%	53,829,577.810
2.	1/14/02	25%	10.582%	28,910,145.487
3.	4/1/02	25%	9.043%	22,877,164.747
4.	7/1/02	25%	10.720%	25,539,306.103

\*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.

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### FRANKLIN FLOATING RATE TRUST Financial Highlights

	YEAR ENDED JULY 31		
	2002	2001	2000
<b>PER SHARE OPERATING PERFORMANCE</b>			
(for a share outstanding throughout the year)			
Net asset value, beginning of year .....	\$9.24	\$9.85	\$9.98
Income from investment operations:			
Net investment income .....	.568 (d)	.875	.839
Net realized and unrealized gains (losses) .....	(.927) (d)	(.606)	(.130)
Total from investment operations .....	(.359)	.269	.709

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Less distributions from net investment income .....	(.581)	(.879)	(.839)	
Net asset value, end of year .....	\$8.30	\$9.24	\$9.85	
Total return(b) .....	(3.95)%	2.80%	7.39%	
RATIOS/SUPPLEMENTAL DATA				
Net assets, end of year (000's) .....	\$1,779,930	\$2,832,188	\$2,541,497	\$1,1
Ratios to average net assets:				
Expenses .....	1.32%	1.36%	1.35%	
Expenses excluding waiver and payments by affiliate ...	1.32%	1.36%	1.35%	
Net investment income .....	6.58%(d)	9.07%	8.51%	
Portfolio turnover rate .....	62.21%	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

(d)The AICPA Audit and Accounting Guide of Investment Companies, was implemented as described in Note 1(g) resulting in a change of \$(.008) and \$.008 to the net investment income and net realized and unrealized losses per share, respectively, and a decrease of .07% to the ratio of net investment income to average net assets for the year ended July 31, 2002.

See notes to financial statements.

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FRANKLIN FLOATING RATE TRUST  
STATEMENT OF INVESTMENTS, JULY 31, 2002

aSENIOR FLOATING RATE INTERESTS	83.8%	
ADVERTISING/MARKETING SERVICES	.5%	
Adams Outdoor Advertising Inc., Term Loan B, 5.36%, 12/26/07 .....		\$
Lamar Media Corp., Term Loan A, 3.938%, 3/01/06 .....		
AEROSPACE & DEFENSE .9%		
Alliant Techsystems Inc., Term Loan C, 4.125%, 4/20/09 .....		
Hexcel Corp., Term Loan B, 6.125 - 6.188%, 9/14/05 .....		
Titan Corp., Term Loan B, 4.83 - 4.89%, 2/23/06 .....		
United Defense Industries, Term Loan B, 6.50%, 8/13/09 .....		

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Veridian Corp., Term Loan, 5.09%, 6/05/08 .....  
 Vought Aircraft Industries, Term Loan X, 5.07%, 12/01/06 .....

AGRICULTURAL COMMODITIES/MILLING .1%

Hines Nurseries Inc., Term Loan B, 5.625%, 2/28/05 .....

APPAREL/FOOTWEAR

St. John Knits Inc., Term Loan B, 4.813%, 7/31/07 .....

AUTO PARTS: O.E.M. 2.0%

Dayco Products LLC, Term Loan B1, 5.088 - 5.45%, 5/31/07 .....

Metaldyne Inc., Term Loan D, 4.625%, 12/31/09 .....

Tenneco Automotive Inc.,

    Term Loan B, 5.92%, 11/04/07 .....

    Term Loan C, 6.17%, 5/04/08 .....

BEVERAGES: ALCOHOLIC .3%

Southern Wine & Spirits of America Inc., Term Loan B, 4.34%, 6/21/08 .....

BROADCASTING 3.0%

Benedek Broadcasting Corp., Term Loan B, 7.00%, 11/20/07 .....

Comcorp Broadcasting, Term Loan, 5.375%, 3/31/03 .....

Comcorp Holdings, Term Loan, 11.375 - 13.25%, 9/30/03 .....

Cumulus Media Inc., Term Loan B, 4.813%, 3/28/10 .....

Emmis Communications Corp.,

    Term Loan A, 5.188%, 2/28/09 .....

    Term Loan B, 4.375%, 8/31/09 .....

Quorum Broadcasting, Term Loan B, 6.36%, 9/30/07 .....

Radio One Inc., Term Loan A, 3.15%, 6/30/07 .....

Sinclair Broadcast Group Inc., Term Loan B, 4.125%, 12/31/09 .....

White Knight Broadcasting, Term Loan B, 5.375%, 3/31/03 .....

BUILDING PRODUCTS 1.3%

Magnatrax, Term Loan B, 6.40%, 11/15/05 .....

Masonite International Corp., Term Loan C, 6.625 - 6.875%, 8/31/08 .....

Tapco International,

    Term Loan B, 4.86 - 4.87%, 7/23/07 .....

    Term Loan C, 5.11 - 5.12%, 7/23/08 .....

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aSENIOR FLOATING RATE INTERESTS (CONT.)

CABLE/SATELLITE TELEVISION 11.3%

Century Cable (Adelphia),

Discretionary Term Loan, 6.75%, 12/31/09 ..... \$  
 Term Loan, 6.75%, 6/30/09 .....

Charter Communications CCVI,

gRevolver, .50 - 3.17%, 5/12/08 .....  
 Term Loan A, 3.11%, 5/12/08 .....  
 Term Loan B, 4.36%, 11/12/08 .....

Charter Communications CCVIII, Term Loan B, 4.61%, 2/02/08 .....

Charter Communications Operating LLC, Term Loan B, 4.61%, 9/18/08 .....

Hughes Electronics, Term Loan B, 5.38%, 12/05/02 .....

Insight Midwest Holdings, Term Loan B, 5.063%, 12/31/09 .....

MCC Iowa (broadband), Term Loan B1, 4.34%, 9/12/10 .....

Mediacom Illinois, Term Loan B, 4.34%, 12/31/08 .....

Olympus Cable Holdings, Term Loan B, 6.75%, 9/30/10 .....

PanAmSat Corp., Term Loan B, 5.32%, 12/31/08 .....

Pegasus Media & Communications, Term Loan B, 5.375%, 4/30/05 .....

Satellites Mexicanos, Term Loan C, 144A, 6.34%, 6/30/04 .....

UCA-HHC (Adelphia), Term Loan B, 6.00%, 3/31/08 .....

UPC Distribution Holdings BV, Term Loan B, 5.839%, 3/31/09 .....

Videotron Itee, Term Loan B, 4.64 - 4.648%, 12/01/09 .....

CASINOS/GAMING 1.3%

Ameristar Casinos Inc., Term Loan B, 4.875%, 12/20/06 .....

Greektown Casinos LLC, Term Loan B, 5.813 - 5.938%, 11/16/04 .....

Hollywood Casino Corp., 8.378%, 5/01/06 .....

Isle of Capri, Term Loan B, 4.325 - 4.396%, 3/26/08 .....

Marina District Finance Co. Inc., Term Loan B, 5.86%, 12/31/07 .....

Scientific Games Corp., Term Loan B, 6.063 - 6.188%, 9/30/07 .....

Venetian Casino Resorts LLC/Las Vegas Sands Inn, Term Loan B, 4.84%, 6/15/08 .....

CHEMICALS: SPECIALTY .9%

Arteva B.V. (Kosa), Term Loan B, 5.355%, 12/31/06 .....

Ineos Group Ltd., Term Loan C, 5.879%, 6/30/09 .....

Noveon Inc., Term Loan B, 5.375 - 5.438%, 9/30/08 .....

OM Group Inc., Term Loan C, 4.355%, 4/01/07 .....

RK Polymers LLC, Term Loan B, 6.375%, 3/07/09 .....

COAL .7%

Arch Western Resources LLC, Term Loan B, 4.82 - 4.86%, 4/18/08 .....

COMMERCIAL PRINTING/FORMS 2.9%

American Reprographics, Term Loan B, 5.65%, 4/10/08 .....

cDIMAC Holdings,

Term Loan A, 7.75%, 12/31/05 .....

Term Loan B, 7.75%, 9/30/02 .....

FRANKLIN FLOATING RATE TRUST  
STATEMENT OF INVESTMENTS, JULY 31, 2002 (CONT.)

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aSENIOR FLOATING RATE INTERESTS (CONT.)

COMMERCIAL PRINTING/FORMS (CONT.)

CDIMAC Marketing Partners,

Revolver, .50 - 7.75%, 7/01/03 .....

Term Loan B, 7.75%, 1/01/05 .....

Moore North America Inc., Term Loan B, 6.75%, 8/02/08 .....

Vertis,

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

Term Loan B, 6.125 - 6.375%, 12/31/09 .....

Yellow Book USA,

Term Loan C, 5.318%, 3/31/10 .....

Term Loan D, 4.818%, 3/31/09 .....

CONSUMER SUNDRIES .3%

Church & Dwight Co., Term Loan B, 4.35%, 5/27/09 .....

Playtex Products Inc.,

gRevolver, .50 - 2.75%, 5/31/07 .....

Term Loan C, 4.089 - 4.11%, 5/31/09 .....

CONTAINERS/PACKAGING 2.9%

Berry Plastics, Term Loan, 6.75%, 7/22/10 .....

Crown Cork & Seal Co. Inc., Term Loan, 6.31%, 8/05/02 .....

Graham Packaging Co.,

Term Loan B, 4.375%, 1/31/06 .....

Term Loan C, 4.625%, 1/31/07 .....

Term Loan D, 4.625 - 4.875%, 1/31/07 .....

Impress Metal, Term Loan G, 5.166%, 12/31/06 .....

Owens-Illinois Group Inc., Term Loan, 3.84%, 3/31/04 .....

Printpack Inc., Term Loan B, 4.625%, 4/01/08 .....

Silgan Holdings Inc., Term Loan A, 3.87%, 7/01/08 .....

Stone Container Corp.,

Term Loan B, 4.375%, 7/25/09 .....

Term Loan C, 4.375%, 7/25/09 .....

Tekni-Plex Inc., Term Loan B, 5.375%, 6/21/08 .....

DISCOUNT STORES .3%

Kmart Corp., DIP, 1.839%, 7/07/04 .....

DRUG STORE CHAINS .4%

Rite Aid Corp., Term Loan, 5.563 - 5.625%, 3/15/05 .....

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ELECTRIC UTILITIES 5.0%  
 AES EDC Funding II LLC, Term Loan, 4.695%, 10/06/03 .....  
 AES New York Funding LLC, Term Loan, 6.875%, 2/28/05 .....  
 Calpine Corp., Term Loan B, 5.688%, 3/08/04  
 Mission Energy Holding,  
     Term Loan A, 9.36%, 6/30/06 .....  
     Term Loan B, 9.36%, 6/30/06 .....

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FRANKLIN FLOATING RATE TRUST  
 STATEMENT OF INVESTMENTS, JULY 31, 2002 (CONT.)

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 aSENIOR FLOATING RATE INTERESTS (CONT.)  
 ELECTRIC UTILITIES (CONT.)  
 Southern California Edison Co.,  
     Term Loan A, 4.563%, 3/03/03 ..... \$  
     Term Loan B, 5.063%, 3/01/05 .....  
 Western Resources Inc., Term Loan, 4.844%, 6/05/05 .....

ELECTRONIC COMPONENTS .2%  
 Seagate Technology HDD Holdings, Term Loan, 5.75%, 5/13/07 .....  
 Seagate Technology (US) Holdings, Term Loan, 3.938%, 5/13/07 .....

ELECTRONIC EQUIPMENT/INSTRUMENTS .2%  
 Neptune Technology Group Inc., Term loan B, 5.42%, 11/01/08 .....

ELECTRONICS/APPLIANCES .3%  
 Alliance Laundry Systems LLC, Term Loan, 7.25%, 7/31/09 .....

ENGINEERING & CONSTRUCTION .9%  
 URS Corp.,  
     Term Loan B, 4.875%, 6/09/06 .....  
     Term Loan C, 5.125%, 6/09/07 .....  
 Washington Group International (Morrison Knudsen), Synthetic Term Loan, 1.71%, 7/23/04 .....

ENVIRONMENTAL SERVICES 1.3%  
 Allied Waste Industries Inc.,  
     Term Loan B, 4.625 - 4.688%, 7/30/06 .....  
     Term Loan C, 4.875 - 4.938%, 7/30/07 .....  
 Mactec Inc., Term Loan, 6.129%, 2/22/08 .....

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FINANCIAL CONGLOMERATES .7%

Ares IV, Term Loan D, 144A, 7.87%, 12/22/12 .....  
 Centurion II, Tranche D, 144A, 7.91%, 11/12/12 .....  
 Clydesdale CLO, Tranche D, 144A, 8.36%, 3/22/13 .....  
 Finova Group Inc., 7.50%, 11/15/09 .....  
 First Dominion Funding II, sub. floating rate deb., Series A-D, 144A, 7.50%, 4/25/14 .....  
 Highland CLO I, Term Loan D, 144A, 8.073%, 6/01/11 .....

FOOD CHAINS .2%

Roundys Inc., Term Loan, 4.39 - 4.55%, 6/06/09 .....  
 Winn-Dixie Stores, Term Loan B, 4.625%, 3/31/07 .....

FOOD DISTRIBUTORS .1%

Fleming Companies Inc., Term Loan, 4.125%, 6/18/08 .....

FOOD RETAIL .1%

Dominos Inc., Term Loan B, 6.25%, 7/26/08 .....

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FRANKLIN FLOATING RATE TRUST  
 STATEMENT OF INVESTMENTS, JULY 31, 2002 (CONT.)

aSENIOR FLOATING RATE INTERESTS (CONT.)

FOOD: MAJOR DIVERSIFIED 1.2%

Agrilink Foods Inc.,  
     Term Loan B, 5.82%, 9/30/04 .....  
     Term Loan C, 6.07%, 9/30/05 .....  
 gAurora Food Holdings, Revolver, .50 - 5.821%, 6/30/05 .....  
 International Multifoods, Term Loan B, 4.84 - 4.91%, 2/28/08 .....  
 Merisant Corp., Term Loan B, 5.11%, 3/17/07 .....  
 Nutrasweet,  
     Second Lien Term Loan, 7.00%, 5/24/09 .....  
     Term Loan B, 5.125%, 5/24/07 .....

FOOD: MEAT/FISH/DAIRY .7%

American Seafoods, Term Loan B, 5.11 - 7.00%, 4/15/09 .....  
 Suiza Foods Corp., Term Loan B, 4.11%, 12/21/08 .....



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HOSPITAL/NURSING MANAGEMENT 2.2%

Genesis Health Ventures Inc.,  
Delayed Draw Term Loan B, 5.36 - 5.40%, 3/30/07 .....  
Floating Rate Note, 6.86%, 4/02/07 .....  
Term Loan, 5.36%, 3/30/07 .....  
IASIS Healthcare Corp.,  
Term Loan A, 7.25%, 9/30/04 .....  
Term Loan B, 8.00%, 9/30/06 .....  
Mariner Health Care Inc., Second Priority Secured Note, 7.40%, 5/09/09 .....  
Triad Hospitals Inc., Term Loan B, 4.82%, 9/30/08 .....

HOTEL/RESORTS/CRUISELINES 4.2%

Extended Stay America Inc., Term Loan B, 4.82%, 7/01/07 .....  
Sunburst Hospitality Corp., Term Loan, 6.09%, 12/21/05 .....  
Wyndham International Inc.,  
Increasing Rate Note, 6.625%, 6/05/03 .....  
gRevolver, 2.00 - 5.625%, 6/30/05 .....  
Term Loan B, 6.625%, 6/30/04 .....

INDUSTRIAL MACHINERY .5%

Blount International Inc., Term Loan B, 6.31%, 6/30/06 .....  
Flowserve Corp., Term Loan C, 4.75 - 4.875%, 6/30/09 .....  
Gleason Corp., Term Loan B, 5.438%, 2/18/08 .....

INDUSTRIAL SPECIALTIES .4%

SC Johnson Commercial Markets, Term Loan B, 5.396%, 11/03/09 .....

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FRANKLIN FLOATING RATE TRUST  
STATEMENT OF INVESTMENTS, JULY 31, 2002 (CONT.)

aSENIOR FLOATING RATE INTERESTS (CONT.)

MAJOR TELECOMMUNICATIONS 1.0%

Alec Holdings Inc.,  
Term Loan B, 4.875%, 11/04/07 .....  
Term Loan C, 5.125%, 5/14/08 .....  
cE.Spire Communications, Term Loan C, 8.75%, 8/01/06 .....

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ICG Communications Inc., Term Loan B, 9.00%, 3/31/06 .....  
McLeod USA Inc., Term Loan B, 6.13%, 5/30/08 .....  
cNorthpoint Communications Group Inc.,  
    gRevolver, 5/03/12 .....  
    Term Loan, 9.50%, 3/31/04 .....  
cWCI Capital Corp., Term Loan B, 10.25%, 3/31/07 .....  
cWinstar Communications Inc., DIP, 7.75%, 12/31/02 .....

### MANAGED HEALTH CARE .1%

Pacificare Health Systems Inc., Term Loan, 6.82%, 1/03/05 .....

### MARINE SHIPPING .7%

American Commercial Lines,  
    Term Loan B, 6.00%, 6/30/06 .....  
    Term Loan C, 6.25%, 6/30/07 .....  
Great Lakes Transportation LLC, Term Loan, 5.839 - 5.875%, 3/23/08 .....  
Ingram Industries Inc., Term Loan B, 4.319 - 4.323%, 7/02/08 .....

### MEDIA CONGLOMERATES 1.2%

cBridge Information Systems Inc.,  
    Multi Draw Term Loan, 7.50%, 5/29/03 .....  
    Revolver, .50 - 7.25%, 5/29/03 .....  
    Term Loan A, 7.50%, 5/29/03 .....  
    Term Loan B, 6.75%, 7/07/05 .....  
Canwest Media Inc.,  
    Term Loan B, 5.37%, 5/15/08 .....  
    Term Loan C, 5.62%, 5/15/09 .....  
PEI Holdings, Term Loan B, 6.15 - 6.158%, 3/15/06 .....

### MEDICAL/NURSING SERVICES 1.1%

Alliance Imaging Inc., Term Loan C, 4.313 - 4.688%, 11/30/08 .....  
Davita Inc., Term Loan B, 4.821 - 5.16%, 3/31/09 .....  
Maxxim Medical,  
    Term Loan B, 6.188%, 5/12/06 .....  
    Term Loan C, 6.438%, 5/12/07 .....  
Team Health Inc., Term Loan B, 5.344%, 10/31/08 .....

### MILITARY/GOVERNMENT/TECHNICAL .1%

DRS Technologies Inc., Term Loan, 4.85 - 5.16%, 9/28/08 .....

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FRANKLIN FLOATING RATE TRUST  
STATEMENT OF INVESTMENTS, JULY 31, 2002 (CONT.)

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 aSENIOR FLOATING RATE INTERESTS (CONT.)

MISCELLANEOUS COMMERCIAL SERVICES 1.3%

Burhmann U.S. Inc., Term Loan B, 5.67%, 10/26/07 ..... \$  
 Iron Mountain Inc., Term Loan B, 4.156 - 4.594%, 2/15/08 .....  
 Outsourcing Solutions Inc., Term Loan B, 6.36%, 6/01/06 .....

MISCELLANEOUS MANUFACTURING 1.2%

General Cable Corp., Term Loan B, 5.938%, 6/30/07 .....  
 Mediapak Holdings,  
     Term Loan B, 7.695%, 3/31/04 .....  
     Term Loan C, 7.945%, 3/31/04 .....  
 Mueller Group, Term Loan E, 4.56 - 4.61%, 5/31/08 .....  
 Trimas Corp., Term Loan B, 4.625%, 12/06/09 .....

MOVIES/ENTERTAINMENT 9.1%

gAMC Entertainment Inc., Revolver, .50 - 1.50%, 4/10/04 .....  
 gBlockbuster Inc., Revolver, 7/01/04 .....  
 Carmike Cinemas Inc., Term Loan, 7.75%, 1/31/07 .....  
 CH Operating LLC, Term Loan B, 6.313 - 6.375%, 6/21/07 .....  
 Charlotte Hornets NBA LP, Term Loan A, 5.125%, 6/30/04 .....  
 Dreamworks Film Trust II, Term Loan B, 4.56%, 1/15/09 .....  
 Fitness Holdings Worldwide,  
     Term Loan B, 6.563%, 11/02/06 .....  
     Term Loan C, 6.813%, 11/02/07 .....  
 Hollywood Entertainment Corp., Term Loan B, 5.84%, 6/30/06 .....  
 Hoops LP (Memphis Grizzlies), Term Loan A, 5.25%, 6/12/06 .....  
 Loews Cineplex Entertainment Corp., Term Loan A, 5.75%, 2/28/08 .....  
 Metro-Goldwyn-Mayer Inc.,  
     Term Loan A, 4.60%, 6/30/07 .....  
     Term Loan B, 4.85%, 6/30/08 .....  
 Phoenix Suns, Term Loan B, 4.625 - 4.688%, 3/31/05 .....  
 WFI Corp. Holdings,  
     Term Loan, 4.773%, 10/22/04 .....  
     Term Loan A, 3.398%, 10/22/04 .....

OFFICE EQUIPMENT/SUPPLIES .5%

Imagistics International Inc., Term Loan B, 5.344 - 5.406%, 11/09/07 .....

OIL REFINING/MARKETING .4%

Pacific Energy Group LLC, Term Loan B, 4.07%, 7/26/09 .....  
 Tesoro Petroleum Corp., Term Loan B, 6.50%, 9/30/07 .....

OTHER CONSUMER SERVICES .6%

Sotheby's Holdings Inc., Term Loan B, 4.84 - 4.87%, 8/11/02 .....

OTHER CONSUMER SPECIALTIES .6%

Herbalife International Inc., Term Loan, 5.81%, 7/31/08 .....

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FRANKLIN FLOATING RATE TRUST  
STATEMENT OF INVESTMENTS, JULY 31, 2002 (CONT.)

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aSENIOR FLOATING RATE INTERESTS (CONT.)

OTHER METALS/MINERALS .3%

Better Minerals & Aggregates, Term Loan B, 5.625 - 8.50%, 9/30/07 ..... \$

OTHER TRANSPORTATION 1.5%

Eurotunnel Finance Ltd., Tier 1 Jr Debt, 7.03%, 7/01/25 (United Kingdom) .....

Eurotunnel Finance Ltd., Tier 2 Jr Debt, 7.03%, 7/01/25 (United Kingdom) .....

PHARMACEUTICALS: GENERIC .2%

Alpharma Operating Corp., Term Loan, 5.11 - 5.37%, 10/05/08 .....

PROPERTY-CASUALTY INSURANCE 1.3%

White Mountains Insurance Group Inc., Term Loan B, 4.73%, 3/31/07 .....

PUBLISHING: BOOKS/MAGAZINES 1.6%

Advanstar Communications,

Term Loan A, 5.06%, 4/11/07 .....

Term Loan B, 5.81%, 11/02/08 .....

American Media Inc., Term Loan C, 4.61 - 4.88%, 4/01/07 .....

Primedia Inc., Term Loan B, 4.625%, 6/30/09 .....

Readers Digest Association Inc., Term Loan B, 4.16 - 4.38%, 5/20/08 .....

Weekly Reader, Term Loan B, 5.86 - 6.16%, 11/08/06 .....

PUBLISHING: NEWSPAPERS .4%

Trader.com, (Netherlands)

Term Loan B, 5.55%, 12/31/06 .....

Term Loan C, 6.05%, 12/31/07 .....

PULP & PAPER 1.3%

Alabama Pine & Pulp,

PIK Term Loan B, 5.81%, 6/30/05 .....

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

Revolver, 10.81%, 6/30/03 .....

Term Loan A, 5.81%, 6/30/03 .....

RAILROADS .9%

DM&E Railroad, Term Loan, 8.75%, 6/30/08 .....

Helm Holding Corp., Term Loan B, 5.788 - 6.694%, 10/18/06 .....

RailAmerica Transportation Corp., Term Loan B, 4.625%, 5/21/09 .....

Trinity Industries Inc., Term Loan, 4.875 - 4.969%, 6/07/07 .....

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REAL ESTATE INVESTMENT TRUSTS 1.6%

Aimco, Term Loan, 4.39%, 2/06/04 .....  
 Corrections Corp. of America, Term Loan B, 5.34 - 5.41%, 10/31/08 .....

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FRANKLIN FLOATING RATE TRUST  
 STATEMENT OF INVESTMENTS, JULY 31, 2002 (CONT.)

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 aSENIOR FLOATING RATE INTERESTS (CONT.)

REAL ESTATE INVESTMENT TRUSTS (CONT.)

Macerich Partnership LP, Term Loan B, 4.818%, 7/09/09 ..... \$  
 Newkirk Master LP, Term Loan, 8.50%, 1/30/05 .....

RENTAL/LEASING COMPANIES 1.4%

Ashtead Group, Term Loan B, 4.853 - 4.915%, 6/30/07 .....  
 gRent-A-Center Inc., Revolver, .25 - 1.25%, 7/31/04 .....  
 Rent-Way Inc., Term Loan B, 7.86%, 9/30/06 .....  
 United Rentals Inc., Term Loan B, 4.82 - 5.10%, 9/30/07 .....

SEMICONDUCTORS .4%

ON Semiconductor Corp.,

gRevolver, .50 - 5.875%, 8/04/05 .....  
 Term Loan A, 5.875%, 8/04/05 .....  
 Term Loan B, 5.875%, 8/04/06 .....  
 Term Loan C, 5.875%, 8/04/07 .....  
 Term Loan D, 5.875%, 8/04/07 .....

SERVICES TO THE HEALTH INDUSTRY .1%

Accredo Health Inc., Term Loan B, 4.60%, 4/15/09 .....

SPECIALTY STORES .1%

Petco Animal Supplies Inc., Term Loan B, 5.34%, 10/02/08 .....

SPECIALTY TELECOMMUNICATIONS 1.0%

c360networks Inc., 8.25%, 12/15/07 .....  
 cGlobal Crossing Holdings Ltd., Term Loan B, 8.75%, 8/15/06 .....  
 cPacific Crossing Ltd., Term Loan B, 6.00%, 7/28/06 .....  
 RCN Corp., Term Loan B, 6.063%, 6/03/07 .....

STEEL .7%

Ispat Sidbec Inc.,

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Term Loan B, 6.105 - 6.164%, 7/16/04 .....  
 Term Loan C, 6.605 - 6.664%, 1/16/05 .....  
 LTV Corp., 6.464%, 10/31/04 .....

TEXTILES .5%

Foamex International Inc.,  
 Term Loan B, 6.50%, 6/30/05 .....  
 Term Loan C, 6.75%, 6/30/06 .....  
 Term Loan D, 6.625%, 12/31/06 .....  
 Pillowtex Corp., Term Loan, 10.00%, 5/24/07 .....

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FRANKLIN FLOATING RATE TRUST  
 STATEMENT OF INVESTMENTS, JULY 31, 2002 (CONT.)

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 aSENIOR FLOATING RATE INTERESTS (CONT.)

UTILITIES .3%

Michigan Electric Transmission Co. LLC, Term Loan, 4.355 - 4.414%, 5/01/07 ..... \$  
 Pike Electric, Inc., Term Loan, 5.375%, 4/17/10 .....

WHOLESALE DISTRIBUTORS .4%

Wilmar Industries Inc., Term Loan B, 5.90%, 9/27/07 .....

WIRELESS COMMUNICATIONS 4.6%

Alamosa Holdings, Term Loan, 5.938%, 2/15/08 .....  
 American Cellular Inc., Term Loan C, 5.11%, 2/25/09 .....  
 Arch Wireless Inc.,  
     Senior secured note, 10.00%, 5/15/07 .....  
     Senior sub. note, PIK, 12.00%, 5/15/09 .....  
 Cricket Communications Inc., Term Loan, 6.375%, 6/30/07 .....  
 Nextel Communications Inc., Term Loan D, 4.938%, 3/31/09 .....  
 Nextel Operations Inc.,  
     Leveraged Lease I, 6.50%, 3/15/05 .....  
     Leveraged Lease II, 5.15%, 2/08/07 .....  
 Nextel Partners Inc., Term Loan C, 6.14%, 7/29/08 .....  
 Rural Cellular Corp.,  
     Term Loan B, 5.15%, 10/03/08 .....  
     Term Loan C, 5.40%, 4/03/09 .....  
 Sygnet Wireless Inc., Term Loan C, 5.61%, 12/23/07 .....  
 cTeligent Inc.,  
     Conversion Term Loan, 9.50%, 6/30/06 .....  
     Multi-Draw Term Loan, 9.50 - 9.865%, 6/30/06 .....

TOTAL SENIOR FLOATING RATE INTERESTS (COST \$1,776,966,800) .....

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fCOMMON STOCKS AND WARRANTS 2.6%

AUTO PARTS: O.E.M.  
Exide Technologies., wts., 3/18/06 .....

COMMERICAL PRINTING/FORMS  
DIMAC Holdings Inc., wts., 2/20/49 .....

Vertis Holdings Inc., wts., 6/30/11 .....

ENGINEERING & CONSTRUCTION 1.4%  
Washington Group International Inc. ....

ENVIRONMENTAL SERVICES  
Environmental Systems Products Holdings Inc. ....

HOSPITAL/NURSING MANAGMENT .7%  
Genesis Health Ventures Inc. ....

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FRANKLIN FLOATING RATE TRUST  
STATEMENT OF INVESTMENTS, JULY 31, 2002 (CONT.)

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fCOMMON STOCKS AND WARRANTS (CONT.)

MEDICAL/NURSING SERVICES .4%  
Mariner Health Care Inc. ....

Rotech Medical Corp. ....

MOVIES/ENTERTAINMENT .1%  
AMF Bowling Worldwide Inc. ....

United Artist Theaters .....

PACKAGED SOFTWARE  
dRivus Internet Group Inc. ....

WIRELESS COMMUNICATIONS  
eArch Wireless Inc. ....

TOTAL COMMON STOCKS AND WARRANTS (COST \$88,449,247) .....

fPREFERRED STOCKS .1%  
ADVERTISING/MARKETING SERVICES  
DIMAC Holdings, 20% PIK pfd. ....

ENVIRONMENTAL SERVICES .1%  
Environmental Systems Products Holdings Inc., pfd. ....

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TOTAL PREFERRED STOCKS (COST \$356,100)	.....
CONVERTIBLE PREFERRED STOCKS .1%	
HOSPITAL/NURSING MANAGMENT	
Genesis Health Ventures Inc., 6.00%, cvt. pfd.	.....
TOTAL CONVERTIBLE PREFERRED STOCKS (COST \$1,232,448)	.....
TOTAL LONG TERM INVESTMENTS (COST \$1,867,004,595)	.....
SHORT TERM INVESTMENTS 13.7%	
bFranklin Institutional Fiduciary Trust Money Market Portfolio (COST \$245,141,701)	.....
TOTAL INVESTMENTS (COST \$2,112,146,296) 100.3%	.....
OTHER ASSETS, LESS LIABILITIES (.3)%	.....
NET ASSETS 100.0%	.....

CURRENCY ABBREVIATION:  
 GBP - British Pounds

- \*The principal amount is stated in U.S. dollars unless otherwise indicated.
- aSenior secured corporate loans pay interest at rates which are periodically reset by reference to a base lending rate plus a spread. These base lending rates are generally the prime rate offered by a designated U.S. bank or the London InterBank Offered Rate (LIBOR).
- bThe Franklin Institutional Fiduciary Trust Money Market Portfolio is managed by Franklin Advisers Inc.
- cSee Note 8 regarding defaulted securities.
- dSee Note 9 regarding restricted securities.
- eThe Investment Company Act of 1940 defines "affiliated companies" to include investments in portfolio companies in which the Fund owns 5% or more of the outstanding voting securities. Investments in non-controlled "affiliated companies" at July 31, 2002 were \$857,868.
- fNon-income producing
- gSee Note 1 regarding unfunded commitments.

See notes to financial statements.

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FRANKLIN FLOATING RATE TRUST  
 Financial Statements

STATEMENT OF ASSETS AND LIABILITIES  
 JULY 31, 2002



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Assets:

Investments in securities:

Cost .....

Value .....

Cash .....

Receivables:

Investment securities sold .....

Capital shares sold .....

Interest .....

Organization costs .....

Other assets .....

Total assets .....

Liabilities:

Payables:

Investment securities purchased .....

Affiliates .....

Shareholders .....

Distributions to shareholders .....

Unfunded loan commitments (Note 1) .....

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 (\$1,779,930,429 / 214,547,270 shares outsta

aRedemption price is equal to net asset value less any applicable contingent deferred sales charge.

See notes to financial statements.

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Financial Statements (CONTINUED)

STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED JULY 31, 2002

Investment income:

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

Total investment income .....

Expenses:

Management fees (Note 5) .....  
Administrative fees (Note 5) .....  
Transfer agent fees (Note 5) .....  
Custodian fees .....  
Reports to shareholders .....  
Professional fees .....  
Trustees' fees and expenses .....  
Amortization of organization costs .....  
Other .....

Total expenses .....

Net investment income .....

Realized and unrealized gains (losses):

Net realized gain (loss) from:  
Investments .....  
Foreign currency transactions .....

Net realized loss .....

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

Net unrealized depreciation .....

Net realized and unrealized loss .....

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

See notes to financial statements.

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STATEMENTS OF CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JULY 31, 2002 AND 2001

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

FRANKLIN FLOATING RATE TRUST  
Notes to Financial Statements

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The 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. The Fund values its securities based on quotations provided by banks, broker/dealers or pricing services experienced in such matters. Restricted securities and

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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.

### 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. 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 to distribute substantially all of its taxable income.

### D. 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 a yield to maturity basis. Facility fees are recognized as income over the expected term of the loan. Dividend income and distributions to shareholders are recorded on the ex-dividend date.

### E. ORGANIZATION COSTS:

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

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

#### F. 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.

#### G. AUDIT GUIDE:

In November 2000, a revised AICPA Audit and Accounting Guide, Audits of Investment Companies, was issued, and is effective for fiscal years beginning after December 15, 2000. The revised Guide requires the Fund to amortize all premium and discount on fixed-income securities. Such amortization is included in net investment income but did not impact the net assets or the distributions of the Fund. Prior to August 1, 2001, premiums on fixed income securities were included in realized gains and losses. The cumulative effect of this accounting change resulted in a reduction of \$58,234 in the recorded cost of investments and a corresponding increase in net unrealized appreciation.

The effect of this change for the year ended July 31, 2002 was to decrease net investment income by \$1,633,047, decrease unrealized losses by \$1,519,562, and decrease realized losses by \$113,485. The statement of changes in net assets and the financial highlights for prior periods have not been restated to reflect this change in accounting policy.

#### H. UNFUNDED LOAN COMMITMENTS:

The Fund may enter into certain credit agreements, all or a portion of which may be unfunded. The Fund is obligated to fund these loan commitments at the borrowers' discretion. These commitments are disclosed in the accompanying Statement of Investments and Statement of Assets and Liabilities.

### 2. SHARES OF BENEFICIAL INTEREST

At July 31, 2002, there were an unlimited number of shares authorized (\$.01 par value). Transactions in the Fund's shares were as follows:

	YEAR ENDED JULY		
	2002		
	SHARES	AMOUNT	
Shares sold .....	28,062,186	\$ 250,305,588	1
Shares issued in reinvestment of distributions .....	11,096,664	97,874,769	
Shares redeemed .....	(131,170,493)	(1,154,860,210)	(1)
Net increase (decrease) .....	(92,011,643)	\$ (806,679,853)	

FRANKLIN FLOATING RATE TRUST  
Notes to Financial Statements (CONTINUED)

3. TENDER OF SHARES

On a quarterly basis, the Fund may make tender offers, the amount of which is determined by the Board of Trustees, for the repurchase of at least 5% but not more than 25% of the shares outstanding. The repurchase price is the net asset value on the tender offer expiration date.

4. REVOLVING CREDIT FACILITY

The Fund participates in a \$200 million senior unsecured revolving credit facility to fund shareholder redemptions or meet unfunded loan commitments. The facility agreement ends on December 20, 2002. Interest is charged at the Federal Funds Rate plus .50%. Facility fees paid are amortized on a straight line basis over the term of the commitment. Annual commitment fees of .09% are charged on the unused portion of the facility and allocated among the participating funds based on net assets.

During the year ended July 31, 2002, the Fund did not utilize the facility.

5. TRANSACTIONS WITH AFFILIATES

Certain officers and trustees of the Fund are also officers and/or directors of the following entities:

ENTITY	AFFILIATION
Franklin Templeton Services LLC (FT Services)	Administrative manager
Franklin Advisers Inc. (Advisers)	Investment manager
Franklin/Templeton Distributors Inc. (Distributors)	Principal underwriter
Franklin/Templeton Investor Services LLC (Investor Services)	Transfer agent

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 Franklin Institutional Fiduciary Trust Money Market Portfolio (the Sweep Money Fund) in an amount not to exceed the management fees paid by the Sweep Money Fund.

The Fund pays an administrative fee to FT Services based on the average 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

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Distributors received contingent deferred sales charges for the year of \$1,010,664.

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

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### FRANKLIN FLOATING RATE TRUST Notes to Financial Statements (CONTINUED)

#### 6. INCOME TAXES

At July 31, 2002, the cost of investments, net unrealized depreciation, undistributed ordinary income and undistributed long term capital gains for income tax purposes were as follows:

Cost of investments .....	\$2,114,730,693
	=====
Unrealized appreciation .....	\$ 10,015,424
Unrealized depreciation .....	(339,258,749)
	-----
Net unrealized depreciation .....	\$ (329,243,325)
	=====
Undistributed ordinary income .....	\$ 1,856,670
Undistributed long term capital gains ..	\$ --
	-----
Distributable earnings .....	\$ 1,856,670
	=====

At July 31, 2002, the Fund had tax basis capital losses of \$2,115,134 which may be carried over to offset future capital gains. Such losses expire in 2009.

At July 31, 2002, the Fund has deferred capital losses occurring subsequent to October 31, 2001 of \$125,816,398. For tax purposes, such losses will be reflected in the year ending July 31, 2003.

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

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

The tax character of distributions paid during the year ended July 31, 2002, was substantially the same for financial statement and tax purposes.

#### 7. INVESTMENT TRANSACTIONS

Purchases and sales of securities (excluding short-term securities) for the year ended July 31, 2002 aggregated \$1,348,120,572 and \$2,262,523,614, respectively.

FRANKLIN FLOATING RATE TRUST  
 Notes to Financial Statements (CONTINUED)

8. CREDIT RISK AND DEFAULTED SECURITIES

The Fund has 92.90% 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, 2002, the Fund held defaulted securities with a value aggregating \$17,838,493 representing 1.00% 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.

9. RESTRICTED SECURITIES

The Fund may purchase securities through a private offering that generally cannot be resold to the public without prior registration under the Securities Act of 1933. The costs of registering such securities are paid by the issuer. At July 31, 2002, the Fund held one restricted security as follows:

SHARES	ISSUER
-----	
72,960	Rivus Internet Group Inc. ....

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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, and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Franklin Floating Rate Trust (hereafter referred to as "the Fund") at July 31, 2002, the results of its



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operations 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 audits 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 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, 2002 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

San Francisco, California  
September 4, 2002

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BOARD MEMBERS AND OFFICERS

The name, age and address of the officers and board members, as well as their affiliations, positions held with the Trust, principal occupations during the past five years and number of portfolios overseen in the Franklin Templeton fund complex are shown below. Each board member will serve until that person's successor is elected and qualified.

INDEPENDENT BOARD MEMBERS

NAME, AGE AND ADDRESS	POSITION	LENGTH OF TIME SERVED	NUMBER OF PORTFOLIOS IN FUND COMPLEX OVERSEEN BY BOARD MEMBER*	OTHER DIRECTOR
FRANK H. ABBOTT, III (81) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 1997	105	None

PRINCIPAL OCCUPATION DURING PAST 5 YEARS:

President and Director, Abbott Corporation (an investment company); and FORMERLY, Director, MotherLode Gold Mines Consolidated (gold mining) (until 1996) and Vacu-Dry Co. (food processing) (until 1996).

HARRIS J. ASHTON (70) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 1997	133	Director, RBC company) and company).
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PRINCIPAL OCCUPATION DURING PAST 5 YEARS:

Director of various companies; and FORMERLY, President, Chief Executive Officer and Chairman of the Board, General Host Corporation (nursery and craft centers) (until 1998).

S. JOSEPH FORTUNATO (70) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 1997	134	None
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PRINCIPAL OCCUPATION DURING PAST 5 YEARS:

Member of the law firm of Pitney, Hardin, Kipp & Szuch.

EDITH E. HOLIDAY (50) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 1998	82	Director, Ame ration and re Incorporated Beverly Enter Heinz Company products); RT (manufacture Digex Incorpo and Canadian
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PRINCIPAL OCCUPATION DURING PAST 5 YEARS:

Director of various companies; and FORMERLY, Assistant to the President of the United States and Secretary of the Cabinet (1990-1993); General Counsel to the United States Treasury Department (1989-1990); and Counselor to the Secretary and Assistant Secretary for Public Affairs and Public Liaison-United States Treasury Department (1988-1989).

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NAME, AGE AND ADDRESS	POSITION	LENGTH OF TIME SERVED	NUMBER OF PORTFOLIOS IN FUND COMPLEX OVERSEEN BY BOARD MEMBER*	OTHER DIRECTO
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FRANK W.T. LAHAYE (73) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 1997	105	Director, The Recycling (re
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PRINCIPAL OCCUPATION DURING PAST 5 YEARS:

General Partner, Las Olas L.P. (Asset Management); and FORMERLY, Chairman, Peregrine Venture Management Company (venture capital).

GORDON S. MACKLIN (74) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 1997	133	Director, Whi Ltd. (holding Corporation; services); Me Overstock.com Spacehab, Inc
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PRINCIPAL OCCUPATION DURING PAST 5 YEARS:

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Deputy Chairman, White Mountains Insurance Group, Ltd. (holding company); and FORMERLY, Chairman, White River Corporation (financial services) (until 1998) and Hambrecht & Quist Group (investment banking) (until 1992); and President, National Association of Securities Dealers, Inc. (until 1987).

### INTERESTED BOARD MEMBERS AND OFFICERS

NAME, AGE AND ADDRESS	POSITION	LENGTH OF TIME SERVED	NUMBER OF PORTFOLIOS IN FUND COMPLEX OVERSEEN BY BOARD MEMBER*	OTHER DIRECTOR
**CHARLES B. JOHNSON (69) One Franklin Parkway San Mateo, CA 94403-1906	Trustee and Chairman of the Board	Since 1997	133	None

#### PRINCIPAL OCCUPATION DURING PAST 5 YEARS:

Chairman of the Board, Chief Executive Officer, Member - Office of the Chairman and Director, Franklin Resources, Inc.; Vice President, Franklin Templeton Distributors, Inc.; Director, Fiduciary Trust Company International; officer and/or director or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc.; and officer of 48 of the investment companies in Franklin Templeton Investments.

**RUPERT H. JOHNSON, JR. (61) One Franklin Parkway San Mateo, CA 94403-1906	Trustee and President	Since 1997	117	None
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#### PRINCIPAL OCCUPATION DURING PAST 5 YEARS:

Vice Chairman, Member - Office of the Chairman and Director, Franklin Resources, Inc.; Vice President and Director, Franklin Templeton Distributors, Inc.; Director, Franklin Advisers, Inc. and Franklin Investment Advisory Services, Inc.; Senior Vice President, Franklin Advisory Services, LLC; officer and/or director or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc.; and officer of 51 of the investment companies in Franklin Templeton Investments.

HARMON E. BURNS (57) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 1997	Not Applicable	None
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#### PRINCIPAL OCCUPATION DURING PAST 5 YEARS:

Vice Chairman, Member - Office of the Chairman and Director, Franklin Resources, Inc.; Vice President and Director, Franklin Templeton Distributors, Inc.; Executive Vice President, Franklin Advisers, Inc.; Director, Franklin Investment Advisory Services, Inc.; and officer and/or director or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 51 of the investment companies in Franklin Templeton Investments.

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NAME, AGE AND ADDRESS	POSITION	LENGTH OF TIME SERVED	NUMBER OF PORTFOLIOS IN FUND COMPLEX OVERSEEN BY BOARD MEMBER*	OTHER DIRECTOR
RICHARD D'ADDARIO (53) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since March 2002	Not Applicable	None
PRINCIPAL OCCUPATION DURING PAST 5 YEARS: Senior Vice President and Director of Research, Franklin Advisers, Inc.; and officer of three of the investment companies in Franklin Templeton Investments.				
MARTIN L. FLANAGAN (42) One Franklin Parkway San Mateo, CA 94403-1906	Vice President and Chief Financial Officer	Since 1997	Not Applicable	None
PRINCIPAL OCCUPATION DURING PAST 5 YEARS: President, Member - Office of the President, Chief Financial Officer and Chief Operating Officer, Franklin Resources, Inc.; Senior Vice President and Chief Financial Officer, Franklin Mutual Advisers, LLC; Executive Vice President, Chief Financial Officer and Director, Templeton Worldwide, Inc.; Executive Vice President and Chief Operating Officer, Templeton Investment Counsel, LLC; Executive Vice President and Director, Franklin Advisers, Inc.; Executive Vice President, Franklin Investment Advisory Services, Inc. and Franklin Templeton Investor Services, LLC; Chief Financial Officer, Franklin Advisory Services, LLC; Chairman, Franklin Templeton Services, LLC; and officer and/or director of some of the other subsidiaries of Franklin Resources, Inc. and of 52 of the investment companies in Franklin Templeton Investments.				
DAVID P. GOSS (55) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2000	Not Applicable	None
PRINCIPAL OCCUPATION DURING PAST 5 YEARS: Associate General Counsel, Franklin Resources, Inc.; President, Chief Executive Officer and Director, Property Resources, Inc. and Franklin Properties, Inc.; officer and/or director of some of the other subsidiaries of Franklin Resources, Inc.; officer of 53 of the investment companies in Franklin Templeton Investments; and FORMERLY, President, Chief Executive Officer and Director, Property Resources Equity Trust (until 1999) and Franklin Select Realty Trust (until 2000).				
BARBARA J. GREEN (54) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2000	Not Applicable	None
PRINCIPAL OCCUPATION DURING PAST 5 YEARS: Vice President and Deputy General Counsel, Franklin Resources, Inc.; and Senior Vice President, Templeton Worldwide, Inc. and officer of one of the other subsidiaries of Franklin Resources, Inc., and of 53 of the investment companies in Franklin Templeton Investments; and FORMERLY, Deputy Director, Division of Investment Management, Executive Assistant and Senior Advisor to the Chairman, Counselor to the Chairman, Special Counsel and Attorney Fellow, Securities and Exchange Commission (1986-1995); Attorney, Rogers & Wells (until 1986); and Judicial Clerk, U.S. District Court (District of Massachusetts) (until 1979).				
CHAUNCEY F. LUFKIN (44) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 1997	Not Applicable	None

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PRINCIPAL OCCUPATION DURING PAST 5 YEARS:

Executive Vice President and Portfolio Manager, Franklin Advisers, Inc.; and officer of two of the investment companies in Franklin Templeton Investments.

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NAME, AGE AND ADDRESS	POSITION	LENGTH OF TIME SERVED	NUMBER OF PORTFOLIOS IN FUND COMPLEX OVERSEEN BY BOARD MEMBER*	OTHER DIRECTOR
EDWARD V. MCVEY (65) 26335 Carmel Rancho Blvd. Carmel, CA 93923	Vice President	Since 1997	Not Applicable	None

PRINCIPAL OCCUPATION DURING PAST 5 YEARS:

Senior Vice President, Franklin Templeton Distributors, Inc.; Executive Vice President, Templeton/Franklin Investment Services, Inc.; and officer of 29 of the investment companies in Franklin Templeton Investments.

KIMBERLEY MONASTERIO (38) One Franklin Parkway San Mateo, CA 94403-1906	Treasurer and Principal Accounting Officer	Since 2000	Not Applicable	None
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PRINCIPAL OCCUPATION DURING PAST 5 YEARS:

Senior Vice President, Franklin Templeton Services, LLC; and officer of 34 of the investment companies in Franklin Templeton Investments.

MURRAY L. SIMPSON (65) One Franklin Parkway San Mateo, CA 94403-1906	Vice President and Secretary	Since 2000	Not Applicable	None
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PRINCIPAL OCCUPATION DURING PAST 5 YEARS:

Executive Vice President and General Counsel, Franklin Resources, Inc.; officer and/or director of some of the subsidiaries of Franklin Resources, Inc.; officer of 53 of the investment companies in Franklin Templeton Investments; and FORMERLY, Chief Executive Officer and Managing Director, Templeton Franklin Investment Services (Asia) Limited (until 2000); and Director, Templeton Asset Management Ltd. (until 1999).

\*We base the number of portfolios on each separate series of the registered investment companies comprising the Franklin Templeton Investments fund complex. These portfolios have a common investment adviser or affiliated investment advisers.

\*\*Charles B. Johnson and Rupert H. Johnson, Jr. are considered interested

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persons of the Trust under the federal securities laws due to their positions as officers and directors and major shareholders of Franklin Resources, Inc., which is the parent company of the Trust's adviser and distributor.

Note: Charles B. Johnson and Rupert H. Johnson, Jr. are brothers.

The Statement of Additional Information (SAI) includes additional information about the board members and is available, without charge, upon request. Shareholders may call 1-800/DIAL-BEN (1-800/342-5236) to request the SAI.

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### LITERATURE REQUEST

For a brochure and prospectus, which contain more complete information, including charges and expenses, call Franklin Templeton Investments at 1-800/DIAL BEN(R) (1-800/342-5236). Please read the prospectus carefully before investing or sending money. To ensure the highest quality of service, telephone calls to or from our service departments may be monitored, recorded and accessed. These calls can be determined by the presence of a regular beeping tone.

### FRANKLIN TEMPLETON INVESTMENTS

#### GLOBAL GROWTH

Franklin Global Aggressive  
Growth Fund  
Franklin Global Growth Fund  
Franklin Global Health Care Fund  
Mutual Discovery Fund  
Templeton Developing Markets Trust  
Templeton Foreign Fund  
Templeton Foreign Smaller  
Companies Fund  
Templeton Global Long-Short Fund  
Templeton Global Opportunities Trust  
Templeton Global Smaller  
Companies Fund  
Templeton Growth Fund  
Templeton International

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(Ex EM) Fund  
Templeton Latin America Fund  
Templeton Pacific Growth Fund  
Templeton World Fund

GLOBAL GROWTH & INCOME  
Franklin Global  
Communications Fund  
Mutual European Fund  
Templeton Global Bond Fund

GLOBAL INCOME  
Franklin Templeton Hard  
Currency Fund

GROWTH  
Franklin Aggressive Growth Fund  
Franklin Biotechnology  
Discovery Fund  
Franklin Blue Chip Fund  
Franklin California Growth Fund(1)  
Franklin Capital Growth Fund(2)  
Franklin DynaTech Fund  
Franklin Gold and Precious  
Metals Fund  
Franklin Growth Fund  
Franklin Large Cap Growth Fund  
Franklin Small-Mid Cap  
Growth Fund  
Franklin Small Cap Growth Fund II(3)  
Franklin Technology Fund

GROWTH & INCOME  
Franklin Balance Sheet  
Investment Fund(4)  
Franklin Convertible Securities Fund  
Franklin Equity Income Fund  
Franklin Income Fund  
Franklin Large Cap Value Fund  
Franklin Natural Resources Fund  
Franklin Real Estate  
Securities Fund  
Franklin Rising Dividends Fund  
Franklin Small Cap Value Fund(5)  
Franklin Utilities Fund  
Mutual Beacon Fund  
Mutual Financial Services Fund  
Mutual Qualified Fund  
Mutual Shares Fund

FUND ALLOCATOR SERIES  
Franklin Templeton Conservative Target Fund  
Franklin Templeton Growth  
Target Fund  
Franklin Templeton Moderate  
Target Fund

INCOME  
Franklin Adjustable U.S. Government Securities Fund(6)  
Franklin's AGE High Income Fund  
Franklin Floating Rate Daily  
Access Fund

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Franklin Floating Rate Trust(7)  
Franklin Short-Intermediate  
    U.S. Government Securities Fund(6)  
Franklin Strategic Income Fund  
Franklin Total Return Fund  
Franklin U.S. Government  
Securities Fund(6)  
Franklin Federal Money Fund(6,8)  
Franklin Money Fund(6,8)

TAX-FREE INCOME(9)  
Double Tax-Free Income Fund  
Federal Intermediate-Term Tax-Free Income Fund  
Federal Tax-Free Income Fund  
High Yield Tax-Free  
Income Fund  
Insured Tax-Free Income Fund(10)  
Tax-Exempt Money Fund(6,8)

### STATE-SPECIFIC

TAX-FREE INCOME(9)  
Alabama                      Minnesota(10)  
Arizona                      Missouri  
California(11)                New Jersey  
Colorado                     New York(11)  
Connecticut                 North Carolina  
Florida(11)                  Ohio(10)  
Georgia                      Oregon  
Kentucky                     Pennsylvania  
Louisiana                    Tennessee  
Maryland                     Texas  
Massachusetts(10)          Virginia  
Michigan(10)

### INSURANCE FUNDS

Franklin Templeton Variable  
Insurance Products Trust(12)

1. Effective 9/1/02, the fund's name will change to Franklin Flex Cap Growth Fund and its investment criteria will be modified to invest a majority of its net assets in California companies, as opposed to at least 80% of net assets.
2. Formerly Franklin Growth and Income Fund. Effective 5/1/02, the fund's name changed; investment goal and strategy remained the same.
3. The fund is closed to all new investors. Existing shareholders can continue adding to their account through exchanges and purchases.
4. Effective 5/1/02, the fund is closed to all new investors. Existing shareholders, however, will be able to continue adding to their accounts through exchanges and purchases. In addition, retirement plans with an existing account in the fund will be allowed to open new participant accounts.
5. Effective 4/1/02, the fund expanded its investment universe to include companies with market capitalizations up to \$2.5 billion.
6. An investment in the fund is neither insured nor guaranteed by the U.S. government or by any other entity or institution.
7. The fund is a continuously offered, closed-end fund. Shares may be purchased daily; there is no daily redemption. However, each quarter, pending board approval, the fund will authorize the repurchase of 5%-25% of the outstanding number of shares. Investors may tender all or a portion of their shares during the tender period.
8. No assurance exists that the fund's \$1.00 per share price will be maintained.



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It is possible to lose money by investing in the fund.

9. For investors subject to the alternative minimum tax, a small portion of these dividends may be taxable. Distributions of capital gains are generally taxable.

10. Portfolio of insured municipal securities.

11. These funds are available in two or more variations, including long-term portfolios, portfolios of insured securities, a high-yield portfolio (CA) and intermediate-term and money market portfolios (CA and NY).

12. The funds of the Franklin Templeton Variable Insurance Products Trust are generally only available as investment options in variable annuity or variable life insurance contracts.

08/02

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FRANKLIN(R) TEMPLETON(R)  
INVESTMENTS

One Franklin Parkway  
San Mateo, CA 94403-1906

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ELIGIBLE SHAREHOLDERS CAN SIGN UP FOR EDELIVERY  
AT FRANKLINTEMPLETON.COM. SEE INSIDE FOR DETAILS.

ANNUAL REPORT  
FRANKLIN FLOATING RATE TRUST

INVESTMENT MANAGER  
Franklin Advisers, Inc.

DISTRIBUTOR  
Franklin/Templeton Distributors, Inc.  
1-800/DIAL BEN(R)  
franklintempleton.com

SHAREHOLDER SERVICES  
1-800/632-2301

This report must be preceded or accompanied by the current Franklin Floating Rate Trust prospectus, which contains more complete information including charges and expenses.

To ensure the highest quality of service, telephone calls to or from our service departments may be monitored, recorded and accessed. These calls can be identified by the presence of a regular beeping tone.

020 A2002 09/02

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