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FRANKLIN FLOATING RATE TRUST
Form N-CSR
October 02, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-08271

FRANKLIN FLOATING RATE TRUST

(Exact name of registrant as specified in charter)

ONE FRANKLIN PARKWAY, SAN MATEO, CA 94403-1906
(Address of principal executive offices) (Zip code)

MURRAY L. SIMPSON, ONE FRANKLIN PARKWAY, SAN MATEO, CA 94403-1906

(Name and address of agent for service)

Registrant's telephone number, including area code: (650) 312-2000

Date of fiscal year end: 7/31

Date of reporting period: 7/31/03

ITEM 1. REPORTS TO STOCKHOLDERS

JULY 31, 2003

[GRAPHIC OMITTED]
PERSON ART

ANNUAL REPORT AND SHAREHOLDER LETTER

INCOME

FRANKLIN
FLOATING RATE TRUST

[GRAPHIC OMITTED]
BUILDING ART

WANT TO RECEIVE
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Eligible shareholders can
sign up for eDelivery at
franklintempleton.com. See
inside for details.

[GRAPHIC OMITTED]
FRANKLIN TEMPLETON INVESTMENTS

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FRANKLIN - TEMPLETON- MUTUAL SERIES

FRANKLIN TEMPLETON INVESTMENTS

GAIN FROM OUR PERSPECTIVE

Franklin Templeton's distinct multi-manager structure combines the specialized expertise of three world-class investment management groups--Franklin, Templeton and Mutual Series.

SPECIALIZED EXPERTISE

Each of our portfolio management groups operates autonomously, relying on its own research and staying true to the unique investment disciplines that underlie its success.

FRANKLIN. Founded in 1947, Franklin is a leader in tax-free investing and a driving force in fixed income investing around the globe. They also bring expertise in growth- and value-style U.S. equity investing.

TEMPLETON. Founded in 1940, Templeton pioneered international investing and, in 1954, launched what has become the industry's oldest global fund. Today, with research offices in over 25 countries, they offer investors the broadest global reach in the industry.

MUTUAL SERIES. Established in 1949, Mutual Series is dedicated to a unique style of value investing, searching aggressively for opportunity among undervalued stocks, arbitrage situations and distressed companies.

TRUE DIVERSIFICATION

Because our management groups work independently and adhere to distinctly different investment approaches, Franklin, Templeton and Mutual Series funds typically have a low overlap of securities. That's why our funds can be used to build truly diversified portfolios covering every major asset class.

RELIABILITY YOU CAN TRUST

At Franklin Templeton Investments, we seek to consistently provide investors with exceptional risk-adjusted returns over the long term, as well as the reliable account services that have helped us become one of the most trusted names in financial services.

MUTUAL FUNDS | RETIREMENT PLANS | 529 COLLEGE SAVINGS PLANS | SEPARATE ACCOUNTS

[GRAPHIC OMITTED]

BUILDING ART

Not part of the annual report

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SHAREHOLDER LETTER 1

ANNUAL REPORT

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ANNUAL REPORT

FRANKLIN FLOATING RATE TRUST

YOUR FUND'S GOAL AND PRIMARY INVESTMENTS: Franklin Floating Rate Trust seeks 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.

PERFORMANCE OVERVIEW

Franklin Floating Rate Trust posted a +6.36% cumulative total return for the fiscal year ended July 31, 2003, as shown in the Performance Summary on page 7. The share price, as measured by net asset value, rose from \$8.31 per share on July 31, 2002, to \$8.43 at year-end. The Fund made dividend distributions totaling \$0.388467 per share. 1

ECONOMIC OVERVIEW

The U.S. economy entered its third year of lackluster growth during the period under review. Corporate accounting scandals and war with Iraq contributed to suppressed consumer confidence and tempered economic growth. The economy, as measured by gross domestic product (GDP) growth, expanded at a 3.1% annualized pace in the second quarter of 2003, following 1.4% annualized growth rates for each of the previous two quarters.

The Federal Reserve Board, in an attempt to bolster the sluggish economy, continued to cut interest rates during the period under review, reducing the federal funds target rate from 1.75% to 1.00% over the course of the reporting period. Short-term interest rates, as measured by the three-month London InterBank Offered Rate (LIBOR), the benchmark underlying many of the Fund's floating rate loans, also fell, dropping from 1.82% at the beginning of the period under review to 1.11% on July 31, 2003. For the same period, long-term rates also dipped, with the yield on the 10-year Treasury note falling from 4.51% to 4.49% after reaching a low of 3.10% in early June.

Seeking to inject fiscal stimulus into the economy, the government approved another round of tax cuts, including dividend tax reductions. Even with monetary

1. 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

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distributions include all accrued income earned by the Fund during the period.

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 10.

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[BEGIN SIDEBAR]

WHAT ARE SYNDICATED BANK LOANS?

Syndicated bank loans are typically insured, 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.

TOP 10 HOLDINGS
7/31/03

| COMPANY SECTOR/INDUSTRY | % OF TOTAL NET ASSETS |
|--|--------------------------|
| Arch Wireless Inc. WIRELESS COMMUNICATIONS | 2.8% |
| Adelphia Communications CABLE & SATELLITE TELEVISION | 1.9% |
| Alabama Pine & Pulp PULP & PAPER | 1.7% |
| DirecTV Holdings LLC CABLE & SATELLITE TELEVISION | 1.7% |
| Tenneco Automotive Inc. AUTO PARTS: O.E.M. | 1.7% |
| Charter Communications CCVI & CCVIII CABLE & SATELLITE TELEVISION | 1.5% |
| TRW Automotive Acquisition Corp. AUTO PARTS: O.E.M. | 1.4% |
| Vertis Inc. COMMERCIAL PRINTING & FORMS | 1.4% |

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| | |
|---|------|
| American Reprographics COMMERCIAL PRINTING & FORMS | 1.3% |
| ----- | |
| Southern California Edison Co. ELECTRIC UTILITIES | 1.3% |

[END SIDEBAR]

AND fiscal stimulus, by period-end economic recovery was not assured. On a brighter note, U.S. equity markets, which often serve as a leading indicator of economic recovery, rallied through 2003's second quarter and into July, ending the fiscal year higher, with the Dow Jones Industrial Average increasing from 8736.59 on July 31, 2002, to 9233.80 at period-end, for a gain of 8.27%. 2

SYNDICATED BANK LOAN MARKET

The first few months of the year under review were challenging in the loan market, due to weakening institutional demand and a decline in new-issue volume. With the economy languishing and the threat of a war looming, Treasury yields declined and the LIBOR rate remained low, affecting our loan yields.

After a difficult late summer and early fall of 2002, the loan market recovered and performed well over the last nine months of the reporting period. Recovering equity and high yield bond markets contributed to improved performance, as did the entrance of new, non-traditional loan investors. Many of the new entrants into the loan market included hedge funds and other institutional vehicles seeking high risk-adjusted returns, which increased demand for loans.

Fundamental factors also contributed to the loan market's improved performance, resulting in lower default rates and fewer distressed and lower-rated loans than we have seen since 2000. In June 2003, the lagging 12-month Standard & Poor's default rate by principal amount declined to its lowest level since December 1999.

INVESTMENT STRATEGY

We use credit analysis to select corporate loan and corporate debt securities that meet our criteria. We seek to invest in companies with the ability to generate substantial free cash flow, that are in industries with strong barriers to entry, and that possess significant asset coverage and collateral for our debt. We also prefer companies with dominant market shares, strong management teams and stable growth prospects, according to our analysis.

2. Source: Standard & Poor's Micropal. 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. Total return, calculated by Wilshire Associates Inc., includes reinvested dividends.

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MANAGER'S DISCUSSION

During the 12 months ended July 31, 2003, the syndicated bank loan market was active, offering the Fund many investment opportunities in the primary and secondary markets. Our investments in TRW Automotive (TRW), Peabody Energy, International Steel Group (ISG) and DirecTV aided Fund performance. All four traded at premiums to our initial purchase price at period-end, while offering attractive yields. Their individual stories follow, below:

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We bought the bank debt of TRW, a diversified supplier of automotive systems, modules and components. TRW serves all major vehicle manufacturers and their suppliers worldwide, and the company is widely recognized for its superior safety systems. TRW operates primarily in North America and Europe, but also has facilities in China, South Korea, India, South Africa and other parts of the world. The company holds the top market position in several of its product lines and is among the leaders in several others.

We also purchased Peabody Energy's bank debt. In 2002 Peabody, the world's largest private-sector coal producer, fueled the generation of more than 9% of all U.S. electric consumption. Peabody owns majority interests in 33 coal operations in the U.S. and holds the largest market share in three of the four primary U.S. coal-producing regions. Peabody is the largest producer in the Powder River Basin, the Midwest and the Southwest, and has added more capacity from surface mines rather than underground mines in recent years.

ISG was formed in 2002 by Wilbur Ross, a well-known investor in distressed securities. ISG is the combination of two bankrupt integrated steel companies -- LTV Steel and Acme. Although steel can be a difficult industry, we found ISG attractive because it lacks the substantial pension and medical liabilities that strained its predecessor companies.

Finally, we invested in the bank debt of DirecTV, the largest provider of digital broadcast satellite television services with approximately 11.6 million U.S. subscribers at period-end. DirecTV exhibited strong financial performance, cash flow growth and net subscriber additions over the past several calendar quarters. The company's large subscriber base also helps it reduce expenses and improve profitability by negotiating for programming on favorable terms and to secure unique and exclusive programming.

[BEGIN SIDEBAR]

DIVIDEND DISTRIBUTIONS*

8/1/02-7/31/03

| MONTH | DIVIDEND PER SHARE |
|-----------|--------------------|
| August | 3.3879 cents |
| September | 3.0826 cents |
| October | 3.5225 cents |
| November | 3.4159 cents |
| December | 3.8568 cents |
| January | 3.5885 cents |
| February | 2.6827 cents |
| March | 2.9521 cents |
| April | 3.0223 cents |
| May | 2.9433 cents |
| June | 3.0873 cents |
| July | 3.3048 cents |
| TOTAL | 38.8467 CENTS |

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*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.
[END SIDEBAR]

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

Sincerely,

[GRAPHIC OMITTED] Charles B. Johnson PIC

/S/ Charles B. Johnson
Chairman

[GRAPHIC OMITTED] Richard D'Addario PIC

/S/ Richard D'Addario
Chief Investment Officer - Floating Rate Debt Group

Franklin Floating Rate Trust

THIS DISCUSSION REFLECTS OUR ANALYSIS, OPINIONS AND PORTFOLIO HOLDINGS AS OF JULY 31, 2003, THE END OF THE REPORTING PERIOD. OUR STRATEGIES AND THE FUND'S PORTFOLIO COMPOSITION WILL CHANGE DEPENDING ON MARKET AND ECONOMIC CONDITIONS. THESE OPINIONS MAY NOT BE RELIED UPON AS INVESTMENT ADVICE OR AN OFFER FOR A PARTICULAR SECURITY. THE INFORMATION IS NOT A COMPLETE ANALYSIS OF EVERY ASPECT OF ANY MARKET, COUNTRY, INDUSTRY, SECURITY OR THE FUND. STATEMENTS OF FACT ARE FROM SOURCES CONSIDERED RELIABLE, BUT THE ADVISOR MAKES NO REPRESENTATION OR WARRANTY AS TO THEIR COMPLETENESS OR ACCURACY. ALTHOUGH HISTORICAL PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS, THESE INSIGHTS MAY HELP YOU UNDERSTAND OUR INVESTMENT MANAGEMENT PHILOSOPHY.

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PERFORMANCE SUMMARY AS OF 7/31/03

Your dividend income will vary depending on dividends or interest paid by securities in the Fund's portfolio, adjusted for operating expenses of each class. Capital gain distributions are net profits realized from the sale of portfolio securities. The performance table does not reflect any taxes due on Fund dividends, capital gain distributions, if any, or any realized gains on the sale of Fund shares. Total return reflects the Fund's dividend income, capital gain distributions, if any, and any unrealized gains or losses.

PRICE AND DISTRIBUTION INFORMATION

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| | CHANGE | 7/31/03 | 7/31/02 |
|--------------------------------|------------|---------|---------|
| Net Asset Value (NAV) | +\$0.12 | \$8.43 | \$8.31 |
| DISTRIBUTIONS (8/1/02-7/31/03) | | | |
| Dividend Income | \$0.388467 | | |

PERFORMANCE 1

| | 1-YEAR | 5-YEAR | INCEPTION (10/10/97) |
|--------------------------------|----------|----------|----------------------|
| Cumulative Total Return 2 | +6.36% | +20.24% | +26.64% |
| Average Annual Total Return 3 | +5.36% | +3.76% | +4.15% |
| Value of \$10,000 Investment 4 | \$10,536 | \$12,024 | \$12,664 |
| Distribution Rate 5 | 4.62% | | |
| 30-Day Distribution Rate 6 | 4.55% | | |

ONGOING MARKET VOLATILITY CAN SIGNIFICANTLY AFFECT SHORT-TERM PERFORMANCE; MORE RECENT RETURNS MAY DIFFER FROM THOSE SHOWN. INVESTMENT RETURN AND PRINCIPAL VALUE WILL FLUCTUATE WITH MARKET CONDITIONS, AND YOU MAY HAVE A GAIN OR LOSS WHEN YOU SELL YOUR SHARES. THESE AND OTHER RISKS ARE DESCRIBED MORE FULLY IN THE FUND'S PROSPECTUS.

For more current performance, see "Funds and Performance" at franklintempleton.com or call 1-800/342-5236.

ENDNOTES

SHARES REPURCHASED WITHIN 18 MONTHS OF INVESTMENT ARE SUBJECT TO 1% EARLY WITHDRAWAL CHARGE.

1. 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.
2. Cumulative total return represents the change in value of an investment over the periods indicated and does not include the early withdrawal charge.
3. 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 18 months of purchase.
4. In accordance with SEC rules, we provide standardized average annual total return information through the latest calendar quarter.
5. The distribution rate is based on the annualization of daily distributions totaling 3.2042 cents per share during the last 30 days of July and the \$8.43 NAV on 7/31/03.
6. Yield, calculated as required by the SEC, is based on the earnings of the Fund's portfolio for the 30 days ended 7/31/03.

Annual Report | Past performance does not guarantee future results. | 7

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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 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 - 8/1/02 THROUGH 7/31/03

| REPURCHASE REQUEST DEADLINE | REPURCHASE OFFER AMOUNT | % OF SHARES TENDERED* | NUMBER OF SHARES TENDERED* |
|--------------------------------|----------------------------|--------------------------|-------------------------------|
| 1. 10/2/02 | 25% | 18.364% | 39,752,700.668 |
| 2. 1/3/03 | 25% | 12.052% | 21,572,736.857 |
| 3. 4/1/03 | 25% | 9.216% | 14,701,188.799 |
| 4. 7/1/03 | 25% | 7.691% | 11,326,020.293 |

*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

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| | 2003 | 2002 | 2001 |
|--|-------------|-------------|-------------|
| PER SHARE OPERATING PERFORMANCE (for a share outstanding throughout the year) | | | |
| Net asset value, beginning of year | \$8.30 | \$9.24 | \$9.85 |
| Income from investment operations: | | | |
| Net investment income | .330 | .568 b | .875 |
| Net realized and unrealized gains (losses) | .179 | (.927)b | (.606) |
| Total from investment operations | .509 | (.359) | .269 |
| Less distributions from net investment income | (.389) | (.581) | (.879) |
| Net asset value, end of year | \$8.42 | \$8.30 | \$9.24 |
| Total return a | 6.36% | (3.95)% | 2.80% |
| RATIOS/SUPPLEMENTAL DATA | | | |
| Net assets, end of year (000's) | \$1,160,979 | \$1,779,930 | \$2,832,188 |
| Ratios to average net assets: | | | |
| Expenses | 1.35% | 1.32% | 1.36% |
| Expenses excluding waiver and payments by affiliate | 1.35% | 1.32% | 1.36% |
| Net investment income | 4.26% | 6.58% b | 9.07% |
| Portfolio turnover rate | 55.96% | 62.21% | 84.15% |

Annual Report | See notes to financial statements. | 9

FRANKLIN FLOATING RATE TRUST

STATEMENT OF INVESTMENTS, JULY 31, 2003

| | PRINCIPAL |
|--|------------|
| BONDS 2.2% | |
| FINANCIAL CONGLOMERATES .7% | |
| Finova Group Inc., 7.50%, 11/15/09 | \$17,086,0 |
| HOSPITAL/NURSING MANAGEMENT .3% | |

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| | |
|---|----------|
| Genesis Health Ventures Inc., 6.114%, 4/02/07 | 3,326,5 |
| WIRELESS COMMUNICATIONS 1.2% | |
| Arch Wireless Inc., | |
| Senior secured note, 10.00%, 5/15/07 | 1,089,9 |
| Senior sub. note, PIK, 12.00%, 5/15/09 | 12,115,0 |
| | |
| TOTAL BONDS (COST \$62,940,563) | |
| b SENIOR FLOATING RATE INTERESTS 90.7% | |
| ADVERTISING/MARKETING SERVICES .2% | |
| Adams Outdoor Advertising Inc., Term Loan B, 4.578 - 6.25%, 2/08/08 | 2,655,7 |
| c DIMAC Holdings, Term Loan B, 7.00%, 9/30/03 | 558,3 |
| | |
| AEROSPACE & DEFENSE 3.2% | |
| ILC Industries Inc., Term Loan, 5.60%, 4/11/10 | 966,9 |
| Integrated Defense Technology Inc., Term Loan B, 5.10%, 3/04/08 | 8,515,7 |
| Raytheon Aerospace LLC, Term Loan B, 5.10 - 5.11%, 6/29/07 | 8,848,9 |
| Titan Corp., Term Loan B, 4.38 - 6.00%, 2/23/06 | 11,399,9 |
| United Defense Industries Inc., Term Loan B, 3.10%, 8/13/09 | 816,5 |
| Veridian Corp., Term Loan, 4.35%, 6/05/08 | 1,945,5 |
| Vought Aircraft Industries, | |
| Term Loan B, 4.35%, 7/21/07 | 276,4 |
| Term Loan C, 4.60%, 7/24/08 | 2,059,1 |
| Term Loan X, 4.10%, 12/01/06 | 2,034,3 |
| | |
| AGRICULTURAL COMMODITIES/MILLING .1% | |
| Hines Nurseries Inc., Term Loan B, 5.125%, 2/28/05 | 1,534,0 |
| | |
| AIRLINES .1% | |
| Transdigm Inc., Term Loan B, 3.85%, 7/22/10 | 1,000,0 |
| | |
| ALTERNATIVE POWER GENERATION .1% | |
| Headwaters Inc., Term Loan B, 5.36 - 7.25%, 9/12/07 | 1,609,3 |
| | |
| APPAREL/FOOTWEAR .9% | |
| Levi Strauss & Co., Term Loan B, 5.353%, 7/31/06 | 8,790,2 |
| St. John Knits Inc., Term Loan B, 4.875 - 5.063%, 7/31/07 | 2,251,9 |
| | |
| AUTO PARTS: ORIGINAL EQUIPMENT MANUFACTURER 6.6% | |
| Dayco Products LLC, Term Loan B, 4.25 - 4.51%, 5/31/07 | 3,817,3 |
| GenCorp Inc., Term Loan B, 4.938%, 3/28/07 | 8,452,4 |
| Hayes Lemmerz, Term Loan, 5.86 - 6.04%, 6/03/09 | 9,000,0 |
| Hilite International Inc., Term Loan B, 5.60 - 5.77%, 3/31/09 | 982,5 |
| Key Plastics Inc., | |
| Term Loan B, 8.00%, 4/25/09 | 2,160,0 |
| Term Loan C, 12.50%, 4/25/10 | 2,000,0 |

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FRANKLIN FLOATING RATE TRUST

STATEMENT OF INVESTMENTS, JULY 31, 2003 (CONTINUED)

| | PRINCIPAL |
|--|------------|
| b SENIOR FLOATING RATE INTERESTS (CONT.) | |
| AUTO PARTS: ORIGINAL EQUIPMENT MANUFACTURER (CONT.) | |
| Metaldyne, Term Loan D, 5.625%, 12/31/09 | \$ 4,981,2 |
| Progressive Moulded Products, Term Loan C, 4.625%, 6/30/08 | 1,000,0 |
| SPX Corp., | |
| Term Loan B, 3.375%, 9/30/09 | 3,068,4 |
| Term Loan C, 3.625%, 12/31/07 | 5,114,0 |
| Tenneco Automotive Inc., | |
| Term Loan B, 5.30%, 11/04/07 | 9,888,8 |
| Term Loan C, 5.55%, 5/04/08 | 9,888,8 |
| TRW Automotive Acquisition Corp., | |
| Term Loan A, 4.813%, 2/27/09 | 1,536,5 |
| Term Loan C1, 4.13%, 2/28/11 | 15,000,0 |
| AUTOMOTIVE AFTERMARKET .4% | |
| Advanced Store Cos. Inc., Term Loan C, 3.875 - 4.063%, 11/30/07 | 3,935,5 |
| United Components Inc., Term Loan B, 4.37%, 6/20/10 | 1,000,0 |
| BEVERAGES: ALCOHOLIC .4% | |
| Constellation Brands Inc., Term Loan B, 3.875%, 11/30/08 | 5,000,0 |
| BROADCASTING 2.6% | |
| c Comcorp Broadcasting, Term Loan, 11.50%, 9/30/03 | 3,185,6 |
| c Comcorp Holdings, Term Loan, 13.875%, 9/30/03 | 4,714,7 |
| c Cumulus Media Inc., Term Loan C, 3.625%, 3/28/10 | 2,992,5 |
| Emmis Communications Corp., Term Loan A, 3.125%, 2/28/09 | 2,569,7 |
| Emmis Operating Co., Term Loan B, 3.375%, 8/31/09 | 2,081,0 |
| Gray Television Inc., Term Loan C, 3.36 - 3.51%, 12/31/10 | 1,000,0 |
| Quorum Broadcasting, Term Loan B, 5.60%, 9/30/07 | 7,437,3 |
| Radio One Inc., Term Loan A, 2.03%, 6/30/07 | 2,775,0 |
| Sinclair Broadcast Group Inc., Term Loan B, 3.313 - 3.375%, 12/31/09 | 971,8 |
| c White Knight Broadcasting, Term Loan B, 11.50%, 9/30/03 | 3,516,3 |
| BUILDING PRODUCTS 1.7% | |
| Masonite International Corp., Term Loan C, 3.75 - 4.063%, 8/31/08 | 2,871,3 |
| Tapco International, | |
| Term Loan B, 4.00 - 4.10%, 7/23/07 | 7,363,6 |
| Term Loan C, 4.25 - 4.35%, 7/23/08 | 6,163,6 |
| Therma-Tru Corp., Term Loan B, 4.103%, 2/18/09 | 2,947,5 |

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| | |
|--|---------|
| CABLE/SATELLITE TELEVISION 10.4% | |
| Bresnan Broadband Holdings LLC, Term Loan, 5.35 - 5.57%, 9/20/10 | 1,000,0 |
| Century Cable (Adelphia), | |
| Discretionary Term Loan, 6.00%, 12/31/09 | 3,000,0 |
| Term Loan, 6.00%, 6/30/09 | 1,000,0 |

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FRANKLIN FLOATING RATE TRUST

STATEMENT OF INVESTMENTS, JULY 31, 2003 (CONTINUED)

| | PRINCIPAL |
|---|-----------|
| b SENIOR FLOATING RATE INTERESTS (CONT.) | |
| CABLE/SATELLITE TELEVISION (CONT.) | |
| Charter Communications CCVI, | |
| d Revolver, .25 - 2.62%, 5/12/08 | \$ 875,0 |
| Term Loan A, 2.60%, 5/12/08 | 1,068,7 |
| Term Loan B, 3.60%, 11/12/08 | 14,427,5 |
| Charter Communications CCVIII, Term Loan B, 3.62 - 3.85%, 2/02/08 | 2,870,6 |
| DirecTV Holdings LLC, Term Loan, 4.74 - 4.77%, 3/06/10 | 20,000,0 |
| Insight Midwest Holdings, Term Loan B, 4.063%, 12/31/09 | 8,000,0 |
| MCC Iowa (Broadband), Term Loan B1, 3.62%, 9/12/10 | 3,000,0 |
| Mediacom Illinois, Term Loan B, 3.60%, 12/31/08 | 4,962,5 |
| Olympus Cable Holdings (Adelphia), Term Loan B, 6.00%, 9/30/10 | 2,000,0 |
| PanAmSat Corp., Term Loan B, 4.60%, 12/31/08 | 6,800,0 |
| Pegasus Media & Communications, Term Loan B, 4.625%, 4/30/05 | 12,588,1 |
| Satelites Mexicanos, Term Loan C, 144A, 5.614%, 6/30/04 | 8,522,0 |
| UCA-HHC (Adelphia), Term Loan B, 5.25%, 3/31/08 | 20,935,0 |
| UPC Distribution Holdings BV, Term Loan C2, 6.61%, 3/31/09 | 11,500,0 |
| Videotron Itee, Term Loan B, 4.03%, 12/01/09 | 7,272,0 |
| | |
| CASINOS/GAMING 1.9% | |
| Ameristar Casinos Inc., Term Loan B, 3.875%, 12/20/06 | 3,352,6 |
| Greektown Casinos LLC, | |
| Term Loan B, 4.875 - 5.063%, 11/16/04 | 3,184,8 |
| Term Loan C, 4.875%, 11/16/04 | 1,488,6 |
| Isle of Capri, Term Loan B, 3.758 - 3.77%, 4/26/08 | 987,5 |
| Isle of Capri Black Hawk, Term Loan C, 5.00 - 5.32%, 4/15/06 | 997,4 |
| Marina District Finance Co. Inc., Term Loan B, 5.10 - 5.27%, 12/31/07 | 3,000,0 |
| Penn National Gaming Inc., Term Loan B, 5.00 - 5.28%, 3/03/09 | 3,987,5 |
| Scientific Games Corp., Term Loan B, 4.60%, 12/10/08 | 4,975,0 |
| | |
| CATALOG/SPECIALTY DISTRIBUTION .2% | |
| Affinity Group Inc., | |
| Term Loan B1, 5.13 - 7.00%, 5/21/09 | 285,0 |

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| | |
|--|---------|
| Term Loan B2, 5.10 - 5.164%, 5/21/09 | 712,5 |
| Oriental Trading Co. Inc., Term Loan B, 5.75%, 7/29/10 | 1,000,0 |

CHEMICALS: SPECIALTY 1.3%

| | |
|---|---------|
| Arteva B.V. (Kosa), Term Loan B, 4.35%, 12/31/06 | 3,674,5 |
| FMC Corp., Term Loan B, 5.85%, 10/21/07 | 4,975,0 |
| Ineos Group Ltd., Term Loan C, 4.771%, 6/30/09 | 2,328,4 |
| Noveon Inc., Term Loan B, 3.938%, 12/31/09 | 1,000,0 |
| Rockwood Specialties Group Inc., Term Loan B, 4.61%, 7/23/10 | 1,000,0 |
| Sovereign Specialty Chemicals Inc., Term Loan B, 5.625%, 12/31/07 | 995,0 |
| Westlake Chemical Corp., Term Loan B, 4.88 - 4.97%, 7/31/10 | 1,000,0 |

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FRANKLIN FLOATING RATE TRUST

STATEMENT OF INVESTMENTS, JULY 31, 2003 (CONTINUED)

PRINCIPAL

b SENIOR FLOATING RATE INTERESTS (CONT.)

COAL 1.4%

| | |
|--|------------|
| Massey Energy Co., Term Loan, 4.61%, 1/01/07 | \$10,000,0 |
| Peabody Energy Corp., Term Loan B, 3.60 - 3.76%, 3/21/10 | 5,985,0 |

COMMERCIAL PRINTING/FORMS 3.2%

| | |
|--|----------|
| American Reprographics, Term Loan B, 5.15%, 4/10/08 | 15,964,2 |
| Moore Holdings USA Inc., Term Loan B, 4.25 - 4.313%, 3/14/10 | 5,000,0 |
| Vertis Inc., Bridge Term Loan, 13.50%, 12/09/09 | 16,305,5 |

CONSUMER SUNDRIES .5%

| | |
|---|---------|
| Central Garden & Pet Co., Term Loan, 3.851 - 4.04%, 5/14/09 | 2,000,0 |
| NBTY Inc., Term Loan B, 3.60%, 7/22/09 | 1,000,0 |
| Playtex Products Inc., Term Loan C, 4.60 - 4.616%, 5/31/09 | 1,485,0 |
| United Industries Corp., Term Loan B, 5.10%, 1/20/06 | 774,5 |

CONTAINERS/PACKAGING 3.2%

| | |
|---|---------|
| ACI Operations Property Ltd., Term Loan, 4.39%, 4/01/07 | 1,000,0 |
| Berry Plastics, Term Loan, 4.29%, 7/22/10 | 987,5 |
| Constar International Inc., Term Loan B, 6.50%, 11/20/09 | 4,962,5 |
| Crown Cork & Seal Co. Inc., Term Loan B, 4.10%, 9/15/08 | 3,000,0 |
| Graham Packaging Co., Term Loan B, 5.00 - 5.063%, 2/20/10 | 8,000,0 |

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| | |
|---|----------|
| Greif Brothers Corp., Term Loan B, 3.36%, 8/15/09 | 990,0 |
| Impress Metal, Term Loan G, 4.352%, 12/31/06 | 827,1 |
| Owens-Brockway Glass Container Inc., Term Loan B, 4.36%, 4/01/08 | 6,000,0 |
| Stone Container Corp., | |
| Term Loan B, 3.625%, 7/25/09 | 5,771,3 |
| Term Loan C, 3.625%, 7/25/09 | 977,8 |
| Tekni-Plex Inc., Term Loan B, 4.625%, 6/21/08 | 4,850,0 |
| | |
| DRUG STORE CHAINS .9% | |
| Rite Aid Corp., Term Loan, 4.60 - 4.61%, 5/22/08 | 10,000,0 |
| | |
| ELECTRIC UTILITIES 3.5% | |
| AES Corp., Term Loan B, 5.13 - 5.32%, 4/30/08 | 6,000,0 |
| Calpine Corp., Term Loan, 8.75%, 7/15/07 | 13,000,0 |
| Consumers Energy Co., | |
| Term Loan, 5.839%, 7/11/04 | 1,000,0 |
| Term Loan, 5.61%, 3/31/06 | 1,000,0 |
| Michigan Electric Transmission Co. LLC, Term Loan, 3.60%, 5/01/07 | 985,0 |
| Mission Energy Holding, | |
| Term Loan A, 8.625%, 6/30/06 | 259,7 |
| Term Loan B, 8.625%, 6/30/06 | 740,2 |
| Pike Electric Inc., Term Loan, 4.375%, 4/17/10 | 2,373,0 |
| Southern California Edison Co., Term Loan B, 4.375%, 3/01/05 | 15,000,0 |
| Westar Energy Inc., Term Loan, 4.12%, 6/05/05 | 1,986,3 |

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FRANKLIN FLOATING RATE TRUST

STATEMENT OF INVESTMENTS, JULY 31, 2003 (CONTINUED)

| | | |
|--|--|------------|
| | | PRINCIPAL |
| b SENIOR FLOATING RATE INTERESTS (CONT.) | | |
| ELECTRICAL PRODUCTS .2% | | |
| Rayovac Corp., Term Loan B, 4.85 - 5.04%, 10/01/09 | | \$ 2,670,0 |
| | | |
| ELECTRONIC COMPONENTS .5% | | |
| Amkor Technology Inc., Term Loan, 5.10%, 1/31/06 | | 2,493,7 |
| Seagate Technology HDD Holdings, Term Loan B, 3.125%, 5/13/07 | | 2,121,4 |
| Seagate Technology (US) Holdings, Term Loan B, 3.125%, 5/13/07 | | 848,5 |
| | | |
| ELECTRONIC EQUIPMENT/INSTRUMENTS .6% | | |
| Neptune Technology Group Inc., Term Loan B, 5.58%, 3/31/10 | | 6,815,7 |
| | | |
| ELECTRONICS/APPLIANCES .6% | | |

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| | |
|--|----------|
| Alliance Laundry Systems LLC, Term Loan, 4.74 - 4.81%, 7/31/09 | 4,481,8 |
| Interline Brands, Term Loan B, 5.60%, 9/30/09 | 3,000,0 |
| | |
| ENGINEERING & CONSTRUCTION .8% | |
| Brand Services Inc., Term Loan B, 5.10%, 10/16/09 | 995,0 |
| URS Corp., Term Loan B, 4.85%, 8/22/08 | 3,363,1 |
| Washington Group International (Morrison Knudsen), Synthetic Term Loan, 1.014%, 7/23/04 | 4,500,0 |
| | |
| ENVIRONMENTAL SERVICES 1.3% | |
| Allied Waste North America Inc., Term Loan, 4.37%, 1/15/10 | 2,142,8 |
| Term Loan B, 4.37 - 4.56%, 1/15/10 | 10,357,1 |
| Casella Waste Systems Inc., Term Loan B, 4.375 - 4.563%, 1/24/09 | 1,000,0 |
| Mactec Inc., Term Loan B, 6.75%, 2/22/08 | 1,897,2 |
| | |
| FINANCIAL CONGLOMERATES .4% | |
| e Ares IV, Term Loan D, 144A, 7.29%, 12/22/12 | 1,400,0 |
| e Centurion II, Tranche D, 144A, 7.349%, 11/12/12 | 2,500,0 |
| e Clydesdale CLO, Tranche D, 144A, 7.829%, 3/22/13 | 2,000,0 |
| e First Dominion Funding II, sub. floating rate deb., Series A-D, 144A, 6.97%, 4/25/14 | 3,000,0 |
| | |
| FOOD DISTRIBUTORS .2% | |
| Fleming Cos. Inc., Term Loan, 4.375%, 6/18/08 | 2,527,9 |
| | |
| FOOD RETAIL .1% | |
| Pathmark Stores Inc., Term Loan B2, 5.625%, 6/30/07 | 915,5 |
| | |
| FOOD: MAJOR DIVERSIFIED 1.3% | |
| Birds Eye Foods Inc., Term Loan B, 3.85%, 8/08/08 | 7,940,0 |
| Del Monte Corp., Term Loan B, 4.85 - 4.86%, 12/20/10 | 926,4 |
| Dole Food Inc., Term Loan B, 4.938 - 6.75%, 3/28/08 | 3,408,6 |
| International Multifoods Corp., Term Loan B, 4.07 - 6.00%, 2/28/08 | 1,320,2 |
| Merisant Corp., Term Loan B, 3.86%, 1/09/10 | 1,000,0 |

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FRANKLIN FLOATING RATE TRUST

STATEMENT OF INVESTMENTS, JULY 31, 2003 (CONTINUED)

PRINCIPAL

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b SENIOR FLOATING RATE INTERESTS (CONT.)

FOOD: MEAT/FISH/DAIRY .5%

| | |
|---|------------|
| American Seafoods, Term Loan B, 4.35%, 4/15/09 | \$ 1,322,3 |
| Suiza Foods Corp., Term Loan B, 3.35%, 12/21/08 | 2,947,0 |
| Swift & Co., Term Loan B, 4.35%, 9/19/08 | 992,5 |

FOOD: SPECIALTY/CANDY .6%

| | |
|---|---------|
| Nellson Nutraceuticals Inc., Term Loan, 4.11%, 10/04/09 | 1,500,0 |
| Nutrasweet, | |
| Second Lien Term Loan, 7.313%, 5/24/09 | 2,913,0 |
| Term Loan B, 4.688%, 5/24/07 | 640,3 |
| Otis Spunkmeyer Inc., Term Loan B, 5.35%, 2/20/09 | 1,930,1 |
| Reddy Ice Group Inc., Term Loan, 4.11%, 7/31/09 | 1,000,0 |

HOME FURNISHINGS .4%

| | |
|--|---------|
| Aero Products International, Term Loan, 5.77 - 7.50%, 12/16/08 | 1,931,4 |
| National Bedding Co., Term Loan B, 4.99 - 5.08%, 8/21/08 | 939,8 |
| Springs Industries Inc., Term Loan B, 5.125%, 9/05/08 | 2,000,0 |

HOSPITAL/NURSING MANAGEMENT 1.6%

| | |
|---|---------|
| Community Health Systems Inc., Term Loan, 3.62%, 1/16/11 | 1,000,0 |
| Genesis Health Ventures Inc., Term Loan B, 4.60%, 3/30/07 | 5,010,2 |
| Iasis Healthcare Corp., Term Loan B, 5.36 - 5.364%, 2/07/09 | 9,250,0 |
| Triad Hospitals Inc., Term Loan B, 4.10%, 9/30/08 | 980,9 |
| Vanguard Health Systems Inc., Term Loan B, 5.36%, 1/03/10 | 1,990,0 |

HOTEL/RESORTS/CRUISELINES .9%

| | |
|--|---------|
| Extended Stay America Inc., Term Loan B, 4.85%, 7/01/07 | 8,504,4 |
| Wyndham International Inc., Term Loan B, 5.875%, 6/30/04 | 2,512,0 |

INDUSTRIAL CONGLOMERATES .8%

| | |
|---|---------|
| Walter Industries Inc., Term Loan B, 5.35 - 5.518%, 4/14/10 | 8,775,0 |
|---|---------|

INDUSTRIAL MACHINERY 1.0%

| | |
|--|---------|
| Colfax Corp., | |
| Term Loan B, 3.125 - 4.875%, 5/30/09 | 5,000,0 |
| Term Loan C, 7.375%, 5/30/10 | 1,000,0 |
| Flowserve Corp., Term Loan C, 3.875 - 4.00%, 6/30/09 | 1,430,4 |
| Gleason Corp., Term Loan B, 4.938 - 5.125%, 2/18/08 | 4,177,2 |

INDUSTRIAL SPECIALTIES .4%

| | |
|---|---------|
| SC Johnson Commercial Markets, Term Loan B, 4.80%, 11/03/09 | 4,791,4 |
|---|---------|

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FRANKLIN FLOATING RATE TRUST

STATEMENT OF INVESTMENTS, JULY 31, 2003 (CONTINUED)

| | PRINCIPAL |
|--|------------|
| ----- | |
| b SENIOR FLOATING RATE INTERESTS (CONT.) | |
| INFORMATION TECHNOLOGY SERVICES .3% | |
| Worldspan, Term Loan, 4.875%, 6/30/07 | \$ 1,000,0 |
| Xerox Corp., Term Loan, 3.35%, 9/30/08 | 2,000,0 |
| | |
| MAJOR TELECOMMUNICATIONS 1.7% | |
| Alec Holdings Inc., | |
| Term Loan B, 4.334%, 11/04/07 | 1,940,2 |
| Term Loan C, 4.579%, 5/14/08 | 1,746,2 |
| c E.Spire Communications, Term Loan C, 8.00%, 8/01/06 | 16,877,8 |
| GCI Holdings Inc., Term Loan, 7.578%, 10/30/04 | 2,000,0 |
| Qwest Corp., Term Loan, 6.50%, 6/30/07 | 3,000,0 |
| c WCI Capital Corp., Term Loan B, 9.50%, 3/31/07 | 30,500,0 |
| c Winstar Communications Inc., DIP, 7.00%, 12/30/03 | 5,035,5 |
| d Worldcom Inc., DIP, 3.50%, 7/23/04 | 10,000,0 |
| | |
| MANAGED HEALTH CARE .3% | |
| Oxford Health Plans Inc., Term Loan B, 4.07 - 5.75%, 4/25/09 | 2,992,5 |
| Pacificare Health Systems Inc., Term Loan, 4.61%, 6/03/08 | 1,000,0 |
| | |
| MARINE SHIPPING 1.0% | |
| Great Lakes Transportation LLC, Term Loan, 5.063 - 5.125%, 3/23/08 | 6,475,6 |
| Horizon Lines LLC, Term Loan, 5.03 - 5.33%, 2/27/09 | 2,995,7 |
| Ingram Industries Inc., Term Loan B, 4.00 - 4.29%, 7/02/08 | 1,675,1 |
| United States Shipping LLC, Term Loan, 4.35 - 4.52%, 9/16/08 | 870,1 |
| | |
| MEDIA CONGLOMERATES 1.2% | |
| Bridge Information Systems Inc., | |
| c Multi Draw Term Loan, 6.75%, 5/29/05 | 477,5 |
| c Revolver, 6.50%, 7/07/05 | 8,5 |
| c Term Loan A, 6.75%, 5/29/05 | 473,6 |
| c Term Loan B, 6.00%, 5/29/05 | 14,382,3 |
| Canwest Media Inc., | |
| Term Loan B, 4.79%, 5/15/08 | 7,306,1 |
| Term Loan C, 5.04%, 5/15/09 | 4,565,2 |

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MEDICAL SPECIALTIES .9%

| | |
|---|---------|
| Alaris Medical Inc., Term Loan, 3.85 - 3.87%, 6/30/09 | 1,918,3 |
| Conmed Corp., Term Loan, 3.86 - 4.09%, 12/15/09 | 1,000,0 |
| Fisher Scientific International Inc., Term Loan B, 3.60%, 3/31/10 | 1,995,0 |
| Fresenius Medical Care, Term Loan B, 3.603 - 3.779%, 2/21/10 | 997,5 |
| Medex Inc., Term Loan B, 4.85%, 5/21/09 | 1,000,0 |
| PerkinElmer Inc., Term Loan B, 5.10%, 12/26/08 | 3,610,0 |

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FRANKLIN FLOATING RATE TRUST

STATEMENT OF INVESTMENTS, JULY 31, 2003 (CONTINUED)

| | PRINCIPAL |
|--|----------------|
| b SENIOR FLOATING RATE INTERESTS (CONT.) | |
| MEDICAL/NURSING SERVICES 2.2% | |
| Alliance Imaging Inc., Term Loan C, 3.438 - 3.75%, 11/30/08 | \$ 1,321,6 |
| Ameripath Inc., Term Loan B, 5.60%, 3/27/10 | 2,992,5 |
| Cross Country Healthcare Inc., Term Loan, 4.364%, 6/05/09 | 1,000,0 |
| DaVita Inc., Term Loan B, 3.603 - 3.66%, 3/31/09 | 7,000,0 |
| d Insight Health Services, Delayed Draw, 2.50 - 6.75%, 10/17/08 | 9,000,0 |
| Team Health Inc., Term Loan B, 4.531%, 10/31/08 | 4,759,4 |
| MILITARY/GOVERNMENT/TECHNICAL .6% | |
| DRS Technologies Inc., Term Loan, 4.10 - 4.34%, 9/28/08 | 2,456,3 |
| U.S. Investigations Services Inc., Term Loan, 5.07 - 5.26%, 1/02/08 | 4,326,4 |
| MISCELLANEOUS COMMERCIAL SERVICES 2.9% | |
| Burhmann N.V., Term Loan B, 5.30%, 10/26/07 | 12,587,2 |
| Century Maintenance Supply Inc., Term Loan B, 5.75%, 5/07/10 | 8,000,0 |
| Corrections Corp. of America, Term Loan B, 4.60 - 4.78%, 3/31/08 | 10,820,6 |
| Global Imaging Systems Inc., Term Loan, 4.03 - 4.10%, 6/20/09 | 1,000,0 |
| Wackenhut Corrections Corp., Term Loan B, 4.10 - 4.12%, 7/10/09 | 1,000,0 |
| MISCELLANEOUS MANUFACTURING 1.3% | |
| General Cable Corp., Term Loan B, 6.10 - 6.125%, 5/27/07 | 191,7 |
| Mueller Group, Term Loan E, 3.85 - 4.03%, 5/31/08 | 7,910,0 |
| Norcross Safety Products, Term Loan, 5.53%, 3/01/09 | 997,5 |
| Rexnord Corp., Term Loan, 5.13 - 5.14%, 11/18/09 | 1,944,4 |
| Sanmina-Sci Corp., Term Loan B, 5.30%, 12/12/07 | 1,990,0 |
| Trimas Corp., Term Loan B, 4.50 - 6.25%, 12/06/09 | 2,495,3 |

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| | |
|--|----------|
| MOVIES/ENTERTAINMENT 6.3% | |
| d AMC Entertainment Inc., Revolver, .50 - 1.50%, 4/10/04 | 3,500,0 |
| Carmike Cinemas Inc., Term Loan, 7.75%, 1/31/07 | 1,716,9 |
| CH Operating LLC, Term Loan B, 5.625%, 6/21/07 | 3,810,3 |
| Cinemark USA Inc., Term Loan, 3.78 - 4.13%, 3/31/08 | 1,995,0 |
| Fitness Holdings Worldwide, | |
| Term Loan B, 5.875%, 11/02/06 | 3,418,0 |
| Term Loan C, 6.125%, 11/02/07 | 8,110,0 |
| Hollywood Entertainment Corp., Term Loan, 4.60%, 3/31/08 | 2,475,0 |
| Loews Cineplex Entertainment Corp., Term Loan A, 4.688%, 2/28/08 | 13,525,4 |
| Metro-Goldwyn-Mayer Inc., | |
| Term Loan A, 3.85%, 6/30/07 | 8,000,0 |
| Term Loan B, 4.10%, 6/30/08 | 4,000,0 |
| Mets II LLC, Term Loan, 4.35%, 8/23/05 | 3,000,0 |
| New Jersey Basketball LLC, Term Loan, 4.10%, 12/06/03 | 3,000,0 |
| Rainbow Media AMC/IFC/WE, Term Loan, 4.56%, 3/31/09 | 600,0 |
| Rainbow Media Holdings Inc., Term Loan, 4.56%, 3/31/09 | 2,400,0 |

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FRANKLIN FLOATING RATE TRUST

STATEMENT OF INVESTMENTS, JULY 31, 2003 (CONTINUED)

| | | |
|---|--|-----------|
| ----- | | PRINCIPAL |
| ----- | | |
| b SENIOR FLOATING RATE INTERESTS (CONT.) | | |
| MOVIES/ENTERTAINMENT (CONT.) | | |
| Regal Cinemas Inc., | | |
| Term Loan C, 3.875%, 12/31/07 | | \$ 925,0 |
| Term Loan D, 3.625%, 6/30/09 | | 1,000,0 |
| Vivendi Universal Entertainment, Term Loan, 3.85 - 3.86%, 6/24/08 | | 9,000,0 |
| Washington Football Group, Term Loan A, 3.834%, 10/07/07 | | 2,500,0 |
| OIL & GAS PIPELINES .3% | | |
| WEG Acquisitions LP, Term Loan, 5.60 - 5.61%, 6/17/08 | | 2,000,0 |
| Williams Energy Partners LP, Term Loan B, 5.375%, 8/05/08 | | 1,000,0 |
| OIL & GAS PRODUCTION .4% | | |
| Williams Production RMT Co., Term Loan, 4.90%, 5/30/07 | | 5,000,0 |
| OIL REFINING/MARKETING .9% | | |
| Citgo Petroleum Corp., Term Loan, 8.25%, 2/27/06 | | 5,000,0 |
| Pacific Energy Group LLC, Term Loan B, 3.86 - 4.066%, 7/26/09 | | 3,000,0 |
| Tesoro Petroleum Corp., | | |
| Term Loan, 4.36 - 5.50%, 4/17/07 | | 831,2 |
| Term Loan (ABL), 6.53 - 6.606%, 4/15/08 | | 997,5 |

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| | |
|--|---------|
| OTHER CONSUMER SPECIALTIES .2% | |
| Central Parking Corp., Term Loan B, 4.60%, 3/03/09 | 997,5 |
| Jostens Inc., Term Loan, 3.60%, 7/28/10 | 1,000,0 |
| OTHER TRANSPORTATION 1.9% | |
| Eurotunnel Finance Ltd., Tier 1 Jr Debt, 7.03%, 7/01/25 (United Kingdom) | 6,167,2 |
| Laidlaw International Inc., Term Loan, 7.00%, 6/17/09 | 9,900,0 |
| Pacer International Inc., Term Loan, 4.375 - 6.25%, 6/06/10 | 949,0 |
| Transcore Holdings Inc., Term Loan B, 4.85 - 6.25%, 10/31/06 | 1,904,9 |
| PERSONNEL SERVICES .1% | |
| Spectaguard Acquisition LLC, Term Loan, 7.50%, 4/25/10 | 986,1 |
| PHARMACEUTICALS: GENERIC .1% | |
| Alpharma Operating Corp., Term Loan B, 4.35 - 4.60%, 10/05/08 | 1,137,0 |
| PROPERTY-CASUALTY INSURANCE .3% | |
| Infinity Property & Casualty Corp., Term Loan, 3.60%, 7/17/10 | 3,000,0 |
| PUBLISHING: BOOKS/MAGAZINES 2.3% | |
| Advanstar Communications, | |
| Term Loan A, 4.85%, 4/11/07 | 2,648,5 |
| Term Loan B, 5.60%, 10/11/07 | 2,000,0 |
| American Media Inc., Term Loan C, 3.85 - 4.125%, 4/01/07 | 971,4 |
| BAI Finance LP, Term Loan C, 5.35%, 11/28/09 | 2,725,4 |
| CBD Media LLC, Term Loan, 4.37 - 4.38%, 12/31/09 | 1,000,0 |
| F&W Publications Inc., Term Loan B, 5.05%, 12/31/09 | 1,950,0 |
| Primedia Inc., Term Loan B, 3.875 - 4.125%, 6/30/09 | 1,493,3 |

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FRANKLIN FLOATING RATE TRUST

STATEMENT OF INVESTMENTS, JULY 31, 2003 (CONTINUED)

| | PRINCIPAL |
|--|------------|
| ----- | |
| b SENIOR FLOATING RATE INTERESTS (CONT.) | |
| PUBLISHING: BOOKS/MAGAZINES (CONT.) | |
| R.H. Donnelley Corp., Term Loan B, 5.10 - 5.28%, 6/30/10 | \$ 4,975,0 |
| Readers Digest Association Inc., | |
| Term Loan A, 3.83 - 4.10%, 5/20/07 | 3,643,1 |
| Term Loan B, 4.01 - 4.10%, 5/20/08 | 447,8 |
| Weekly Reader, Term Loan B, 5.29 - 7.00%, 11/08/06 | 4,703,6 |

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| | |
|--|----------|
| PUBLISHING: NEWSPAPERS .1% | |
| First DT Holdings Ltd. (Hollinger), Term Loan B, 4.625%, 9/30/09 | 1,488,7 |
| PULP & PAPER 1.9% | |
| Alabama Pine & Pulp, | |
| c PIK Term Loan B, 5.10%, 6/30/05 | 3,894,6 |
| c PIK Term Loan C, 10.75%, 6/30/05 | 6,584,8 |
| Revolver, 10.10%, 9/30/03 | 5,000,0 |
| c Term Loan A, 5.10%, 9/30/03 | 37,105,1 |
| MDCP Acquisitions I, | |
| Term Loan B, 3.86%, 9/12/10 | 1,000,0 |
| Term Loan C, 4.36%, 9/12/11 | 1,000,0 |
| RAILROADS .9% | |
| DM&E Railroad, Term Loan, 8.00%, 6/30/08 | 2,940,0 |
| Helm Holding Corp., Term Loan B, 4.86 - 5.089%, 10/18/06 | 2,856,5 |
| RailAmerica Transportation Corp., Term Loan B, 3.813%, 5/21/09 | 1,960,0 |
| Trinity Industries Inc., Term Loan, 4.375 - 4.563%, 6/07/07 | 2,970,0 |
| REAL ESTATE INVESTMENT TRUSTS .4% | |
| Macerich Partnership LP, Term Loan B, 4.09%, 7/09/09 | 374,3 |
| Newkirk Master LP, Term Loan, 8.50%, 1/30/05 | 4,212,7 |
| RECREATIONAL PRODUCTS .1% | |
| PlayPower Inc., Term Loan, 5.53%, 2/07/10 | 975,0 |
| RENTAL/LEASING COMPANIES .5% | |
| United Rentals Inc., Term Loan B, 4.13%, 9/30/07 | 6,336,5 |
| RESTAURANTS .4% | |
| Dominos Inc., Term Loan, 4.125%, 6/25/10 | 2,852,4 |
| Jack in the Box Inc., Term Loan B, 4.35 - 4.52%, 7/24/07 | 995,0 |
| O'Charleys Inc., Term Loan B, 5.10%, 1/15/09 | 975,0 |
| SEMICONDUCTORS .3% | |
| Fairchild Semiconductor Corp., Term Loan, 3.938%, 6/19/08 | 3,000,0 |
| SERVICES TO THE HEALTH INDUSTRY .3% | |
| NDC Health Corp., Term Loan B, 6.00%, 11/30/08 | 4,000,0 |

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FRANKLIN FLOATING RATE TRUST

STATEMENT OF INVESTMENTS, JULY 31, 2003 (CONTINUED)

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| | PRINCIPAL |
|---|------------|
| b SENIOR FLOATING RATE INTERESTS (CONT.) | |
| SPECIALTY STORES .5% | |
| CSK Auto Inc., Term Loan B, 3.87%, 2/15/06 | \$ 1,000,0 |
| Doane Pet Care Co., | |
| Term Loan B, 6.03%, 12/31/05 | 172,5 |
| Term Loan C, 6.07%, 12/31/06 | 88,3 |
| Pantry Inc., Term Loan, 6.00%, 4/11/07 | 1,980,2 |
| PETCO Animal Supplies Inc., Term Loan C, 4.24 - 6.00%, 10/02/08 | 2,968,9 |
| SPECIALTY TELECOMMUNICATIONS .5% | |
| c Global Crossing Holdings Ltd., Term Loan B, 8.00%, 8/15/06 | 2,477,2 |
| McLeod USA Inc., Term Loan B, 5.47%, 5/31/08 | 6,394,6 |
| c Pacific Crossing Ltd., Term Loan B, 5.25%, 7/28/06 | 21,312,5 |
| RCN Corp., Term Loan B, 7.00%, 6/03/07 | 1,176,1 |
| STEEL 1.6% | |
| International Steel Group, | |
| Term Loan A, 4.37%, 5/05/05 | 4,224,0 |
| Term Loan B, 4.62%, 5/05/07 | 9,276,0 |
| LTV Corp., Term Loan, 5.725%, 10/31/04 | 9,376,3 |
| TOBACCO .2% | |
| Commonwealth Brands Inc., Term Loan, 5.188%, 8/22/07 | 2,860,8 |
| TOOLS/HARDWARE .1% | |
| Werner Holding Co., Term Loan, 3.86%, 6/06/09 | 1,000,0 |
| TRUCKING .1% | |
| Flexi-Van Leasing Inc., Term Loan B, 4.21 - 4.31%, 9/20/07 | 992,5 |
| WHOLESALE DISTRIBUTORS .3% | |
| Amscan Holdings Inc., Term Loan, 6.50 - 7.50%, 6/20/07 | 995,0 |
| National Waterworks Inc., Term Loan B, 6.50%, 11/27/09 | 1,960,0 |
| WIRELESS COMMUNICATIONS 2.3% | |
| c Cricket Communications Inc., Term Loan, 6.375%, 6/30/07 | 10,000,0 |
| Nextel Communications Inc., Term Loan D, 4.313%, 3/31/09 | 4,975,0 |
| Nextel Operations Inc., Leveraged Lease II, 4.54%, 2/08/07 | 9,805,7 |
| Nextel Partners Inc., Term Loan C, 5.39 - 5.46%, 7/29/08 | 5,000,0 |
| Spectrasite Communications Inc., Term Loan, 3.92 - 4.02%, 6/30/07 | 2,000,0 |
| Sygnel Wireless Inc., Term Loan C, 5.01%, 12/23/07 | 1,636,7 |
| TOTAL SENIOR FLOATING RATE INTERESTS (COST \$1,162,370,471) | |

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FRANKLIN FLOATING RATE TRUST

STATEMENT OF INVESTMENTS, JULY 31, 2003 (CONTINUED)

| | SHARES |
|---|--------|
| ----- | |
| COMMON STOCKS AND WARRANTS 1.6% | |
| AUTO PARTS: ORIGINAL EQUIPMENT MANUFACTURER | |
| f Exide Technologies, wts., 3/18/06 | 74 |
| COMMERCIAL PRINTING/FORMS | |
| f Vertis Holdings Inc., wts., 6/30/11 | 39 |
| WIRELESS COMMUNICATIONS 1.6% | |
| f,g Arch Wireless Inc. | 1,908 |
| f Teligent Inc. | |
| | |
| TOTAL COMMON STOCKS AND WARRANTS (COST \$30,487,104) | |
| CONVERTIBLE PREFERRED STOCKS (COST \$1,232,448) .1% | |
| MEDICAL/NURSING SERVICES .1% | |
| f Genesis Health Ventures Inc., 6.00%, cvt. pfd. | 12 |
| TOTAL LONG TERM INVESTMENTS (COST \$1,257,030,586) | |
| SHORT TERM INVESTMENTS (COST \$74,472,252) 6.4% | |
| h Franklin Institutional Fiduciary Trust Money Market Portfolio | 74,472 |
| TOTAL INVESTMENTS (COST \$1,331,502,838) 101.0% | |
| OTHER ASSETS, LESS LIABILITIES (1.0)% | |
| NET ASSETS 100.0% | |

CURRENCY ABBREVIATION: | GBP - British Pounds

aThe principal amount is stated in U.S. dollars unless otherwise indicated.

bSee Note 1(d) regarding senior floating rate interests.

cThe fund discontinues accruing income on defaulted securities. See Note 9.

dSee Note 1(j) regarding unfunded loan commitments.

eSee Note 10 regarding restricted securities.

fNon-income producing

gSee Note 11 regarding Holdings of 5% Voting Securities.

hSee Note 8 regarding investments in the Franklin Fiduciary Trust Money Market Portfolio.

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Annual Report | See notes to financial statements. | 21

FRANKLIN FLOATING RATE TRUST

FINANCIAL STATEMENTS

STATEMENT OF ASSETS AND LIABILITIES

July 31, 2003

Assets:

Investments in securities:

Cost - Unaffiliated issuers

Cost - Non-controlled affiliated issuers

Value - Unaffiliated issuers

Value - Non-controlled affiliated issuers

Cash

Receivables:

Investment securities sold

Capital shares sold

Interest

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 appreciation (depreciation)

Accumulated net realized gain (loss)

Capital shares

Net assets, at value

Net asset value and maximum offering price (\$1,160,979,368 / 137,805,859 shares outstanding) a .

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FRANKLIN FLOATING RATE TRUST

FINANCIAL STATEMENTS (CONTINUED)

STATEMENT OF OPERATIONS

for the year ended July 31, 2003

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 gain (loss)

Net unrealized appreciation (depreciation) on:

Investments
Translation of assets and liabilities denominated in foreign currencies

Net unrealized appreciation (depreciation)

Net realized and unrealized gain (loss)

Net increase (decrease) in net assets resulting from operations

Annual Report | See notes to financial statements. | 23

FRANKLIN FLOATING RATE TRUST

FINANCIAL STATEMENTS (CONTINUED)

STATEMENTS OF CHANGES IN NET ASSETS

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for the years ended July 31, 2003 and 2002

| | |
|---|---------|
| | ----- |
| | 2 |
| | ----- |
| Increase (decrease) in net assets: | |
| Operations: | |
| Net investment income | \$ 58 |
| Net realized gain (loss) from investments and foreign currency transactions | (152) |
| Net unrealized appreciation (depreciation) on investments and translation of assets and liabilities denominated in foreign currencies | 167 |
| | ----- |
| Net increase (decrease) in net assets resulting from operations | 74 |
| Distributions to shareholders from net investment income | (65) |
| Capital share transactions (Note 2) | (627) |
| | ----- |
| Net increase (decrease) in net assets | (618) |
| Net assets: | |
| Beginning of year | 1,779 |
| | ----- |
| End of year | \$1,160 |
| | ----- |
| Undistributed net investment income included in net assets: | |
| End of year | \$ (9) |
| | ----- |

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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 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

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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. dollar 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. SECURITIES PURCHASED ON A WHEN-ISSUED OR DELAYED DELIVERY BASIS

The Fund may purchase securities on a when-issued or delayed delivery basis, with payment and delivery scheduled for a future date. These transactions are subject to market fluctuations and are subject to the risk that the value at delivery may be more or less than the trade date purchase price. Although the Fund will generally purchase these securities with the intention of holding the securities, it may sell the securities before the settlement date.

D. SENIOR FLOATING RATE INTERESTS

Senior 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).

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FRANKLIN FLOATING RATE TRUST

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. 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.

F. 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. Discounts and premiums on securities purchased are amortized over the lives of the respective securities. 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.

G. ORGANIZATION COSTS

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

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H. 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 expenses during the reporting period. Actual results could differ from those estimates.

I. GUARANTEES AND INDEMNIFICATIONS

Under the Fund's organizational documents, its officers and trustees are indemnified against certain liability arising out of the performance of their duties to the Fund. Additionally, in the normal course of business, the Fund enters into contracts with service providers that contain general indemnification clauses. The Fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred. However, based on experience, the Fund expects the risk of loss to be remote.

J. 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.

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FRANKLIN FLOATING RATE TRUST

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. SHARES OF BENEFICIAL INTEREST

At July 31, 2003, there were an unlimited number of shares authorized (\$.01 par value). Transactions in the Fund's shares were as follows:

| | YEAR ENDED JULY 31, | | | |
|---|---------------------|------------------|---------------|--------------|
| | 2003 | | 2002 | |
| | SHARES | AMOUNT | SHARES | AMOUNT |
| Shares sold | 5,568,709 | \$ 45,936,820 | 28,062,186 | \$ 250,305, |
| Shares issued in reinvestment of distributions | 5,106,050 | 41,769,067 | 11,096,664 | 97,874, |
| Shares redeemed | (87,416,170) | (714,811,535) | (131,170,493) | (1,154,860, |
| Net increase (decrease) | (76,741,411) | \$ (627,105,648) | (92,011,643) | \$ (806,679, |

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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 19, 2003. 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, 2003, 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 Advisers Inc. (Advisers) | Investment manager |
| Franklin Templeton Services LLC (FT Services) | Administrative 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.

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FRANKLIN FLOATING RATE TRUST

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. TRANSACTIONS WITH AFFILIATES (CONTINUED)

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 \$168,735.

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

6. INCOME TAXES

At July 31, 2003, the Fund had tax basis capital losses of \$201,858,439 which may be carried over to offset future capital gains. Such losses expire as follows:

Capital loss carryover expiring in:

| | | |
|------------|--|---------------|
| 2009 | | \$ 2,230,929 |
| 2011 | | 199,627,510 |
| | | ----- |
| | | \$201,858,439 |
| | | ----- |

At July 31, 2003, the Fund has deferred capital losses occurring subsequent to October 31, 2002 of \$79,715,245. For tax purposes, such losses will be reflected in the year ending July 31, 2004.

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 gains (losses) differ for financial statement and tax purposes primarily due to differing treatment of wash sales, defaulted securities, foreign currency transactions, and bond premiums.

The tax character of distributions paid during the years ended July 31, 2003 and 2002, was as follows:

| | ----- 2003 ----- | ----- 2002 ----- |
|--|------------------------|------------------------|
| Distributions paid from ordinary income | \$65,886,321 | \$153,197,524 |

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FRANKLIN FLOATING RATE TRUST

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. INCOME TAXES (CONTINUED)

At July 31, 2003, the cost of investments, net unrealized appreciation (depreciation), undistributed ordinary income and undistributed long-term capital gains for income tax purposes were as follows:

| | | |
|--|--|------------------|
| Cost of investments | | \$1,342,189,828 |
| | | ----- |
| Unrealized appreciation | | 15,007,778 |
| Unrealized depreciation | | (184,660,449) |
| | | ----- |
| Net unrealized appreciation (depreciation) | | \$ (169,652,671) |

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| | | |
|---|----|-----------|
| Undistributed ordinary income | \$ | 5,465,699 |
| Undistributed long-term capital gains | | -- |
| Distributable earnings | \$ | 5,465,699 |

7. INVESTMENT TRANSACTIONS

Purchases and sales of securities (excluding short-term securities) for the year ended July 31, 2003 aggregated \$675,438,404 and \$1,121,148,296, respectively.

8. INVESTMENTS IN FRANKLIN INSTITUTIONAL FIDUCIARY TRUST MONEY MARKET PORTFOLIO

The Fund may invest in the Franklin Institutional Fiduciary Trust Money Market Portfolio (the Sweep Money Fund), an open-end investment company managed by Advisers. Management fees paid by the Fund are reduced on assets invested in the Sweep Money Fund, in an amount not to exceed the management fees paid by the Sweep Money Fund. The Fund earned \$2,328,874 of dividend income from investment in the Sweep Money Fund for the year ended July 31, 2003.

9. CREDIT RISK AND DEFAULTED SECURITIES

The Fund has 92.91% of its portfolio invested in below investment grade and comparable quality unrated high yield securities, which tend to be more sensitive to economic conditions than higher rated securities.

The Fund held defaulted and/or other securities for which the income has been deemed uncollectible. The Fund discontinues accruing income on these securities and provides an estimate for losses on interest receivable. At July 31, 2003, the value of these securities was \$35,449,665 representing 3.05% of the Fund's net assets. For information as to specific securities, see the accompanying Statement of Investments.

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FRANKLIN FLOATING RATE TRUST

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. RESTRICTED SECURITIES

At July 31, 2003, investments in securities included issues that are restricted or illiquid. Restricted securities are often purchased in private placement transactions, are not registered under the Securities Act of 1933, may have contractual restrictions on resale, and are valued under methods approved by the Board of Trustees as reflecting fair value. A security may also be considered illiquid if it lacks a readily available market or if its valuation has not changed for a certain period of time. At July 31, 2003, the Fund held investments in restricted and illiquid securities that were valued under approved methods by the Trustees, as follows:

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| PRINCIPAL AMOUNT | ISSUER | ACQUISITION DATE | |
|--|--|------------------|-------|
| \$1,400,000 | Ares IV, Term Loan D, 144A, 7.29%, 12/22/12 | 11/14/00 | \$1,4 |
| 2,500,000 | Centurion II, Tranche D, 144A, 7.349%, 11/12/12 | 11/07/00 | 2,5 |
| 2,000,000 | Clydesdale CLO, Tranche D, 144A, 7.829%, 3/22/13 | 5/23/01 | 1,8 |
| 3,000,000 | First Dominion Funding II, sub. floating rate deb., Series A-D, 144A, 6.97%, 4/25/14 | 5/03/99 | 2,9 |
| TOTAL RESTRICTED SECURITIES (.39% OF NET ASSETS) | | | |

11. HOLDING OF 5% VOTING SECURITIES OF PORTFOLIO COMPANIES

The Investment Company Act of 1940 defines "affiliated companies" to include investments in portfolio companies in which a fund owns 5% or more of the outstanding voting securities. Investments in "affiliated companies" for the Fund at July 31, 2003 were as shown below.

| NAME OF ISSUER | NUMBER OF SHARES HELD AT BEGINNING OF YEAR | GROSS ADDITIONS | GROSS REDUCTIONS | NUMBER OF SHARES HELD AT END OF YEAR | VALUE AT END OF YEAR | DIVIDEND INCOME |
|-------------------------|--|-----------------|------------------|--------------------------------------|----------------------|-----------------|
| Arch Wireless Inc. | 1,618,619 | 290,122 | -- | 1,908,741 | \$18,133,040 | \$-- |

12. OTHER CONSIDERATIONS

Advisers, as the Fund's Manager, may serve as a member of various bondholders' steering committees, on credit committees, or may represent the Fund in certain corporate restructuring negotiations. Currently the Manager serves in one or more of these capacities for Adelphia Communications Corp. As a result of this involvement, the Advisers may be in possession of certain material non-public information. If the Fund's Manager, while in possession of such information, seeks to sell any of its holdings in these securities it will comply with all applicable federal securities laws.

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FRANKLIN FLOATING RATE TRUST

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

13. RECENT LITIGATION

On July 6, 2003, Adelphia Communications Corp. ("Adelphia") and related parties, along with its Official Committee of Unsecured Creditors, filed an adversary proceeding in the Adelphia bankruptcy case in the U.S. Bankruptcy Court (SDNY)

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against more than 360 banks, financial services companies, insurance companies, investment banks, mutual funds and other parties that had arranged for the sale of, or purchased the bank debt of, Adelphia or its related parties. Named Defendants included Franklin Advisers Inc., Franklin CLOs I-III, Franklin Floating Rate Daily Access Fund, Franklin Floating Rate Master Series, and Franklin Floating Rate Trust.

The Complaint alleges that the purchasers of this bank debt knew, or should have known, that the loan proceeds would not benefit Adelphia, but instead would be used to enrich Adelphia insiders. It seeks avoidance of the loans and recovery of intentionally fraudulent transfers.

Although it is not possible to predict the outcome of these matters at this early stage of the proceedings, the Fund's management does not expect that the result will have a material adverse effect on the financial condition of the Fund.

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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, 2003, the results of its 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, 2003 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

San Francisco, California
September 4, 2003

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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 Investments 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 D |
|---|----------|-----------------------|--|--|
| FRANK H. ABBOTT, III (82) One Franklin Parkway San Mateo, CA 94403-1906 | Trustee | Since 1997 | 113 | None |
| PRINCIPAL OCCUPATION DURING PAST 5 YEARS: President and Director, Abbott Corporation (an investment company); and FORMERLY, Director, Mother Consolidated (gold mining) (until 1996) and Vacu-Dry Co. (food processing) (until 1996). | | | | |
| HARRIS J. ASHTON (71) One Franklin Parkway San Mateo, CA 94403-1906 | Trustee | Since 1997 | 140 | Director of company |
| PRINCIPAL OCCUPATION DURING PAST 5 YEARS: Director of various companies; and FORMERLY, Director, RBC Holdings, Inc. (bank holding company) President, Chief Executive Officer and Chairman of the Board, General Host Corporation (nursery (until 1998). | | | | |
| S. JOSEPH FORTUNATO (71) One Franklin Parkway San Mateo, CA 94403-1906 | Trustee | Since 1997 | 141 | None |
| PRINCIPAL OCCUPATION DURING PAST 5 YEARS: Attorney; and FORMERLY, member of the law firm of Pitney, Hardin, Kipp & Szuch. | | | | |
| EDITH E. HOLIDAY (51) One Franklin Parkway San Mateo, CA 94403-1906 | Trustee | Since 1998 | 90 | Director of (explor and gas (chemic Beverly care); (proces product Metals, distrib Canadia (railro |
| PRINCIPAL OCCUPATION DURING PAST 5 YEARS: Director or Trustee of various companies and trusts; and FORMERLY, Assistant to the President or Secretary of the Cabinet (1990-1993); General Counsel to the United States Treasury Department (the Secretary and Assistant Secretary for Public Affairs and Public Liaison-United States Treasu | | | | |

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| NAME, AGE AND ADDRESS | POSITION | LENGTH OF TIME SERVED | NUMBER OF PORTFOLIOS IN FUND COMPLEX OVERSEEN BY BOARD MEMBER* | OTHER D |
|--|----------|-----------------------|--|--------------------|
| FRANK W.T. LAHAYE (74) One Franklin Parkway San Mateo, CA 94403-1906 | Trustee | Since 1997 | 113 | Directo Land Re |

PRINCIPAL OCCUPATION DURING PAST 5 YEARS:
General Partner, Las Olas L.P. (Asset Management); and FORMERLY, Chairman, Peregrine Venture Man
capital).

| | | | | |
|--|---------|------------|-----|--|
| GORDON S. MACKLIN (75) One Franklin Parkway San Mateo, CA 94403-1906 | Trustee | Since 1997 | 140 | Directo Group, Martek MedImmu Oversto and Spa service MCI Com (subseq WorldCo (commun (1988-2 |
|--|---------|------------|-----|--|

PRINCIPAL OCCUPATION DURING PAST 5 YEARS:
Deputy Chairman, White Mountains Insurance Group, Ltd. (holding company); and FORMERLY, Chairman
(financial services) (1993-1998) and Hambrecht & Quist Group (investment banking) (1987-1992); a
Association of Securities Dealers, Inc. (1970-1987).

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 D |
|---|---|-----------------------|--|---------|
| **CHARLES B. JOHNSON (70) One Franklin Parkway San Mateo, CA 94403-1906 | Trustee and Chairman of the Board | Since 1997 | 140 | None |

PRINCIPAL OCCUPATION DURING PAST 5 YEARS:
Chairman of the Board, Chief Executive Officer, Member - Office of the Chairman and Director, Fr
President, Franklin Templeton Distributors, Inc.; Director, Fiduciary Trust Company Internationa
director or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources
investment companies in Franklin Templeton Investments.

| | | | | |
|---|---|---|-----|------|
| **RUPERT H. JOHNSON, JR. (62) One Franklin Parkway San Mateo, CA 94403-1906 | Trustee, President and Chief Executive Officer - Investment | Trustee and President since 1997 and Chief Executive Officer - Investment | 123 | None |
|---|---|---|-----|------|

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Management Management
since 2002

PRINCIPAL OCCUPATION DURING PAST 5 YEARS:

Vice Chairman, Member - Office of the Chairman and Director, Franklin Resources, Inc.; Vice President, Templeton Distributors, Inc.; Director, Franklin Advisers, Inc. and 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 49 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 DUTIES |
|-----------------------|----------|-----------------------|--|--------------|
|-----------------------|----------|-----------------------|--|--------------|

| | | | | |
|---|----------------|------------------|----------------|------|
| MARK BOYADJIAN (39) One Franklin Parkway San Mateo, CA 94403-1906 | Vice President | Since April 2003 | Not Applicable | None |
|---|----------------|------------------|----------------|------|

PRINCIPAL OCCUPATION DURING PAST 5 YEARS:

Senior Vice President, Templeton Worldwide, Inc.; and officer of three of the investment companies in Franklin Templeton Investments.

| | | | | |
|--|----------------|------------|----------------|------|
| HARMON E. BURNS (58) One Franklin Parkway San Mateo, CA 94403-1906 | Vice President | Since 1997 | Not Applicable | None |
|--|----------------|------------|----------------|------|

PRINCIPAL OCCUPATION DURING PAST 5 YEARS:

Vice Chairman, Member - Office of the Chairman and Director, Franklin Resources, Inc.; Vice President, Templeton Distributors, Inc.; Executive Vice President, Franklin Advisers, Inc.; Director, Franklin Advisers, 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 49 of the investment companies in Franklin Templeton Investments.

| | | | | |
|--|----------------|------------|----------------|------|
| RICHARD D'ADDARIO (54) One Franklin Parkway San Mateo, CA 94403-1906 | Vice President | Since 2002 | Not Applicable | None |
|--|----------------|------------|----------------|------|

PRINCIPAL OCCUPATION DURING PAST 5 YEARS:

Senior Vice President and Director of Research, Franklin Advisers, Inc.; and officer of four of the investment companies in Franklin Templeton Investments.

| | | | | |
|---|----------------|------------|----------------|------|
| MARTIN L. FLANAGAN (43) One Franklin Parkway San Mateo, CA 94403-1906 | Vice President | Since 1997 | Not Applicable | None |
|---|----------------|------------|----------------|------|

PRINCIPAL OCCUPATION DURING PAST 5 YEARS:

President, Franklin Resources, Inc.; Senior Vice President and Chief Financial Officer, Franklin Resources, Inc.; Executive Vice President, Chief Financial Officer and Director, Templeton Worldwide, Inc.; Executive Vice President, Templeton Investment Counsel, LLC; President and Director, Franklin Advisers, Inc.; President, Franklin Investment Advisory Services, Inc. and Franklin Templeton Investor Services, Inc.; Officer, Franklin Advisory Services, LLC; Chairman, Franklin Templeton Services, LLC; and officer and/or director or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 49 of the investment companies in Franklin Templeton Investments.

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| | | | | |
|--|--|------------|----------------|------|
| JIMMY D. GAMBILL (55) 500 East Broward Blvd. Suite 2100 Fort Lauderdale, FL 33394-3091 | Senior Vice President and Chief Executive Officer - Finance and Administration | Since 2002 | Not Applicable | None |
|--|--|------------|----------------|------|

PRINCIPAL OCCUPATION DURING PAST 5 YEARS:

President, Franklin Templeton Services, LLC; Senior Vice President, Templeton Worldwide, Inc.; and investment companies in Franklin Templeton Investments.

| | | | | |
|--|----------------|------------|----------------|------|
| DAVID P. GOSS (56) 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.; officer and director of one of the subsidiaries of Franklin Resources, Inc.; officer of 51 of the investment companies in Franklin Templeton Investments; and FORMERLY, Officer and Director, Property Resources Equity Trust (until 1999) and Franklin Select Realty Trust.

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| NAME, AGE AND ADDRESS | POSITION | LENGTH OF TIME SERVED | NUMBER OF PORTFOLIOS IN FUND COMPLEX OVERSEEN BY BOARD MEMBER* | OTHER D |
|-----------------------|----------|--------------------------|--|---------|
|-----------------------|----------|--------------------------|--|---------|

| | | | | |
|---|----------------|------------|----------------|------|
| BARBARA J. GREEN (55) 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.; Senior Vice President, Templeton Worldwide, Inc.; officer of some of the other subsidiaries of Franklin Resources, Inc. and of 51 of the investment companies in Franklin Templeton Investments; and FORMERLY, Deputy Director, Division of Investment Management, Executive Advisor to the Chairman, Counselor to the Chairman, Special Counsel and Attorney Fellow, U.S. 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 (45) One Franklin Parkway San Mateo, CA 94403-1906 | Vice President | Since 1997 | Not Applicable | None |
|---|----------------|------------|----------------|------|

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.

| | | | | |
|--|---|--|----------------|------|
| KIMBERLEY H. MONASTERIO (39) One Franklin Parkway San Mateo, CA 94403-1906 | Treasurer and Chief Financial Officer | Treasurer since 2000 and Chief Financial Officer since 2002 | Not Applicable | None |
|--|---|--|----------------|------|

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PRINCIPAL OCCUPATION DURING PAST 5 YEARS:

Senior Vice President, Franklin Templeton Services, LLC; and officer of 51 of the investment companies of Franklin Templeton Investments.

| | | | | |
|--|---------------------------------|------------|----------------|------|
| MURRAY L. SIMPSON (66) One Franklin Parkway San Mateo, CA 94403-1906 | Vice President and Secretary | Since 2000 | Not Applicable | None |
|--|---------------------------------|------------|----------------|------|

PRINCIPAL OCCUPATION DURING PAST 5 YEARS:

Executive Vice President and General Counsel, Franklin Resources, Inc.; officer and/or director, of the subsidiaries of Franklin Resources, Inc. and of 51 of the investment companies in Franklin Templeton Investments. FORMERLY, Chief Executive Officer and Managing Director, Templeton Franklin Investment Services and Director, Templeton Asset Management Ltd. (until 1999).

THE SARBANES-OXLEY ACT OF 2002 AND RULES ADOPTED BY THE SECURITIES AND EXCHANGE COMMISSION REQUIRE THE FUND TO DISCLOSE WHETHER THE FUND'S AUDIT COMMITTEE INCLUDES AT LEAST ONE MEMBER WHO IS AN AUDIT COMMITTEE FINANCIAL EXPERT WITHIN THE MEANING OF SUCH ACT AND RULES. THE FUND'S BOARD OF TRUSTEES HAS DETERMINED THAT THERE IS AT LEAST ONE SUCH FINANCIAL EXPERT ON THE AUDIT COMMITTEE AND HAS DESIGNATED FRANK W.T. LAHAYE AS ITS AUDIT COMMITTEE FINANCIAL EXPERT. THE BOARD BELIEVES THAT MR. LAHAYE QUALIFIES AS SUCH AN EXPERT IN VIEW OF HIS EXTENSIVE BUSINESS BACKGROUND AND EXPERIENCE, INCLUDING SERVICE AS PRESIDENT AND DIRECTOR OF MCCORMICK SELPH ASSOCIATES FROM 1954 THROUGH 1965; DIRECTOR AND CHAIRMAN OF TELEDYNE CANADA LTD. FROM 1966 THROUGH 1971; DIRECTOR AND CHAIRMAN OF QUARTERDECK CORPORATION FROM 1982 THROUGH 1998; AND SERVICES AS A DIRECTOR OF VARIOUS OTHER PUBLIC COMPANIES INCLUDING U.S. TELEPHONE INC. (1981-1984), FISHER IMAGING INC. (1991-1998) AND DIGITAL TRANSMISSIONS SYSTEMS (1995-1999). IN ADDITION, MR. LAHAYE SERVED FROM 1981 TO 2000 AS A DIRECTOR AND CHAIRMAN OF PEREGRINE VENTURE MANAGEMENT CO., A VENTURE CAPITAL FIRM, AND HAS BEEN A MEMBER AND CHAIRMAN OF THE FUND'S AUDIT COMMITTEE SINCE ITS INCEPTION. AS A RESULT OF SUCH BACKGROUND AND EXPERIENCE, THE BOARD OF TRUSTEES BELIEVES THAT MR. LAHAYE HAS ACQUIRED AN UNDERSTANDING OF GENERALLY ACCEPTED ACCOUNTING PRINCIPLES AND FINANCIAL STATEMENTS, THE GENERAL APPLICATION OF SUCH PRINCIPLES IN CONNECTION WITH THE ACCOUNTING ESTIMATES, ACCRUALS AND RESERVES, AND ANALYZING AND EVALUATING FINANCIAL STATEMENTS THAT PRESENT A BREADTH AND LEVEL OF COMPLEXITY OF ACCOUNTING ISSUES GENERALLY COMPARABLE TO THOSE OF THE FUND, AS WELL AS AN UNDERSTANDING OF INTERNAL CONTROLS AND PROCEDURES FOR FINANCIAL REPORTING AND AN UNDERSTANDING OF AUDIT COMMITTEE FUNCTIONS. MR. LAHAYE IS AN INDEPENDENT DIRECTOR AS THAT TERM IS DEFINED UNDER THE RELEVANT SECURITIES AND EXCHANGE COMMISSION RULES AND RELEASES.

THE FUND HAS ESTABLISHED PROXY VOTING POLICIES AND PROCEDURES ("POLICIES") THAT THE FUND USES TO DETERMINE HOW TO VOTE PROXIES RELATING TO PORTFOLIO SECURITIES. SHAREHOLDERS MAY VIEW THE FUND'S COMPLETE POLICIES ON-LINE AT WWW.FRANKLINTempleton.COM. ALTERNATIVELY, SHAREHOLDERS MAY REQUEST COPIES OF THE POLICIES FREE OF CHARGE BY CALLING THE PROXY GROUP COLLECT AT 1-954-847-2268 OR BY SENDING A WRITTEN REQUEST TO: FRANKLIN TEMPLETON COMPANIES, LLC, 500 EAST BROWARD BOULEVARD, SUITE 1500, FORT LAUDERDALE, FL 33394, ATTENTION: PROXY GROUP.

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

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For a brochure and prospectus, which contains 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 identified by the presence of a regular beeping tone.

FRANKLIN TEMPLETON INVESTMENTS

INTERNATIONAL

Mutual European Fund
Templeton China World Fund
Templeton Developing Markets Trust
Templeton Foreign Fund
Templeton Foreign Smaller Companies Fund
Templeton International (Ex EM) Fund

GLOBAL

Franklin Global Aggressive Growth Fund
Franklin Global Growth Fund
Mutual Discovery Fund
Templeton Capital Accumulator Fund
Templeton Global Long-Short Fund
Templeton Global Opportunities Trust
Templeton Global Smaller Companies Fund
Templeton Growth Fund
Templeton World Fund

GROWTH

Franklin Aggressive Growth Fund
Franklin Capital Growth Fund
Franklin Flex Cap Growth Fund
Franklin Small-Mid Cap Growth Fund
Franklin Small Cap Growth Fund II 1

VALUE

Franklin Balance Sheet Investment Fund 2
Franklin Equity Income Fund
Franklin Large Cap Value Fund
Franklin MicroCap Value Fund 3
Franklin Small Cap Value Fund
Mutual Beacon Fund
Mutual Qualified Fund
Mutual Shares Fund

BLEND

Franklin Blue Chip Fund
Franklin Convertible Securities Fund
Franklin Growth Fund
Franklin Rising Dividends Fund
Franklin U.S. Long-Short Fund 4

SECTOR

Franklin Biotechnology Discovery Fund
Franklin DynaTech Fund
Franklin Global Communications Fund
Franklin Global Health Care Fund
Franklin Gold and Precious Metals Fund
Franklin Natural Resources Fund
Franklin Real Estate Securities Fund

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Franklin Utilities Fund
Franklin Technology Fund
Mutual Financial Services Fund

ASSET ALLOCATION

Franklin Templeton Conservative Target Fund
Franklin Templeton Growth Target Fund
Franklin Templeton Moderate Target Fund
Franklin Templeton Corefolio Allocation Fund
Franklin Templeton Founding Funds Allocation Fund

INCOME

Franklin Adjustable U.S. Government Securities Fund 5
Franklin's AGE High Income Fund
Franklin Federal Money Fund 5, 6
Franklin Floating Rate Daily Access Fund
Franklin Floating Rate Trust 7
Franklin Income Fund
Franklin Money Fund 5, 6
Franklin Short-Intermediate
 U.S. Government Securities Fund 5
Franklin Strategic Income Fund
Franklin Strategic Mortgage Portfolio
Franklin Templeton Hard Currency Fund
Franklin Total Return Fund
Franklin U.S. Government Securities Fund 5
Templeton Global Bond Fund

TAX-FREE INCOME 8

Double Tax-Free Income Fund
Federal Intermediate-Term Tax-Free Income Fund
Federal Limited-Term Tax-Free Income Fund
Federal Tax-Free Income Fund
High Yield Tax-Free Income Fund
Insured Tax-Free Income Fund 9
Tax-Exempt Money Fund 5,6

STATE-SPECIFIC TAX-FREE INCOME 8

Alabama
Arizona
California 10
Colorado
Connecticut
Florida 10
Georgia
Kentucky
Louisiana
Maryland
Massachusetts 9
Michigan 9
Minnesota 9
Missouri
New Jersey
New York 10
North Carolina
Ohio 9
Oregon
Pennsylvania
Tennessee
Virginia

VARIABLE INSURANCE PRODUCTS FUNDS

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Franklin Templeton Variable Insurance
Products Trust 11

1. The fund is closed to new investors. Existing shareholders can continue adding to their accounts.
2. The fund is only open to existing shareholders as well as select retirement plans.
3. Effective June 30, 2003, the fund reopened to all new investors.
4. Upon reaching approximately \$350 million in assets, the fund will close to all investors.
5. An investment in the fund is neither insured nor guaranteed by the U.S. government or by any other entity or institution.
6. No assurance exists that the fund's \$1.00 per share price will be maintained. It is possible to lose money by investing in the fund.
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. For investors subject to the alternative minimum tax, a small portion of these dividends may be taxable. Distributions of capital gains are generally taxable.
9. Portfolio of insured municipal securities.
10. These funds are available in two or more variations, including long-term portfolios, portfolios of insured securities, a high-yield portfolio (CA) and limited-term, intermediate-term and money market portfolios (CA and NY).
11. The funds of the Franklin Templeton Variable Insurance Products Trust are generally available only through insurance company variable contracts.

09/03

Not part of the annual report

[GRAPHIC OMITTED]
FRANKLIN TEMPLETON INVESTMENTS

One Franklin Parkway
San Mateo, CA 94403-1906

WANT TO RECEIVE THIS DOCUMENT FASTER VIA EMAIL?
Eligible shareholders can sign up for eDelivery at
franklintempleton.com. See inside for details.

ANNUAL REPORT AND SHAREHOLDER LETTER
FRANKLIN FLOATING RATE TRUST

INVESTMENT MANAGER
Franklin Advisers, Inc.

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

SHAREHOLDER SERVICES

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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 A2003 09/03

ITEM 2. CODE OF ETHICS.

(A) THE REGISTRANT HAS ADOPTED A CODE OF ETHICS THAT APPLIES TO ITS PRINCIPAL EXECUTIVE OFFICERS AND PRINCIPAL FINANCIAL AND ACCOUNTING OFFICER.

(C) N/A

(D) N/A

(F) PURSUANT TO ITEM 10(A), THE REGISTRANT IS ATTACHING AS AN EXHIBIT A COPY OF ITS CODE OF ETHICS THAT APPLIES TO ITS PRINCIPAL EXECUTIVE OFFICERS FINANCIAL AND ACCOUNTING OFFICER.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

(A) (1) THE REGISTRANT HAS AN AUDIT COMMITTEE FINANCIAL EXPERT SERVING ON ITS AUDIT COMMITTEE.

(2) THE AUDIT COMMITTEE FINANCIAL EXPERT IS FRANK W.T. LAHAYE AND HE IS "INDEPENDENT" AS DEFINED UNDER THE RELEVANT SECURITIES AND EXCHANGE COMMISSION RULES AND RELEASES.

ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

The board of trustees of the Trust has delegated the authority to vote proxies related to the portfolio securities held by the Fund to the Fund's manager, Franklin Advisers, Inc., in accordance with the Proxy Voting Policies and Procedures (Policies) adopted by the manager.

The manager has delegated its administrative duties with respect to the voting of proxies to the Proxy Group within Franklin Templeton Companies, LLC (Proxy Group), an affiliate and wholly owned subsidiary of Franklin Resources, Inc. All proxies received by the Proxy Group will be voted based upon the manager's instructions and/or policies.

To assist it in analyzing proxies, the manager subscribes to Institutional Shareholder Services (ISS), an unaffiliated third party corporate governance research service that provides in-depth analyses of shareholder meeting agendas, vote recommendations, recordkeeping and vote disclosure services. Although ISS' analyses are thoroughly reviewed and considered in making a final voting decision, the manager does not consider recommendations from ISS or any other third party to be determinative of the manager's ultimate decision. The manager votes proxies solely in the interests of the Fund and its shareholders. As a matter of policy, the officers, directors and employees of the Fund, the manager and the Proxy Group will not be influenced by outside sources whose interests conflict with the interests of the Fund and its shareholders. All conflicts are resolved in the interests of the manager's clients. In situations where the manager perceives a material conflict of interest, the manager may: disclose the conflict to the Fund's Board of Directors; defer to the voting recommendation of

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the Fund's Board of Directors, ISS or those of another independent third party provider of proxy services; or take such other action in good faith (in consultation with counsel) which would protect the interests of the Fund and its shareholders.

The recommendation of management on any issue is a factor which the manager considers in determining how proxies should be voted, but is not determinative of the manager's ultimate decision. As a matter of practice, the votes with respect to most issues are cast in accordance with the position of the company's management. Each issue, however, is considered on its own merits, and the manager will not support the position of the company's management in any situation where it deems that the ratification of management's position would adversely affect the investment merits of owning that company's shares.

ADVISER'S PROXY VOTING POLICIES AND PRINCIPLES

The manager has adopted general proxy voting guidelines, which are summarized below. These guidelines are not an exhaustive list of all the issues that may arise and the manager cannot anticipate all future situations. In all cases, each proxy will be considered based on the relevant facts and circumstances.

BOARD OF DIRECTORS The manager supports an independent board of directors, and prefers that key committees such as audit, nominating, and compensation committees be comprised of independent directors. The manager will generally vote against management efforts to classify a board and will generally support proposals to declassify the board of directors. The manager may withhold votes from directors who have attended less than 75% of meetings without a valid reason. While generally in favor of separating Chairman and CEO positions, the manager will review this issue as well as proposals to restore or provide for cumulative voting on a case-by-case basis taking into consideration factors such as the company's corporate governance guidelines or provisions and performance.

MANAGEMENT & DIRECTOR COMPENSATION A company's equity-based compensation plan should be in alignment with its shareholders' long-term interests. The manager evaluates plans on a case-by-case basis by considering several factors to determine whether the plan is fair and reasonable, including the ISS quantitative model utilized to assess such plans. The manager will generally oppose plans that have the potential to be excessively dilutive, and will almost always oppose plans that are structured to allow the repricing of underwater options, or plans that have an automatic share replenishment "evergreen" feature. The manager will generally support employee stock option plans in which the purchase price is at least 85% of fair market value, and when potential dilution is 10% or less.

Severance compensation arrangements will be reviewed on a case-by-case basis, although the manager will generally oppose "golden parachutes" that are considered to be excessive. The manager will normally support proposals that require a percentage of directors' compensation to be in the form of common stock, as it aligns their interests with those of shareholders. The manager will review on a case-by-case basis any shareholder proposals to adopt policies on expensing stock option plans.

ANTI-TAKEOVER MECHANISMS AND RELATED ISSUES The manager generally opposes anti-takeover measures since they tend to reduce shareholder rights. On occasion, the manager may vote with management when the research analyst has concluded that the proposal is not onerous and would not harm the Fund or its shareholders' interests. The manager generally supports proposals that require shareholder rights' plans ("poison pills") to be subject to a shareholder vote and will closely evaluate such plans on a case-by-case basis to determine whether or not they warrant support. The manager will generally vote against any proposal to issue stock that has unequal or subordinate voting rights. The manager generally opposes any supermajority voting requirements as well as the

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payment of "greenmail." The manager generally supports "fair price" provisions and confidential voting.

CHANGES TO CAPITAL STRUCTURE The manager will review, on a case-by-case basis, proposals by companies to increase authorized shares and the purpose for the increase and proposals seeking preemptive rights. The manager will generally not vote in favor of dual-class capital structures to increase the number of authorized shares where that class of stock would have superior voting rights. The manager will generally vote in favor of the issuance of preferred stock in cases where the company specifies the voting, dividend, conversion and other rights of such stock and the terms of the preferred stock issuance are deemed reasonable.

MERGERS AND CORPORATE RESTRUCTURING Mergers and acquisitions will be subject to careful review by the research analyst to determine whether each will be beneficial to shareholders. The manager will analyze various economic and strategic factors in making the final decision on a merger or acquisition. Corporate restructuring and reincorporation proposals are also subject to a thorough examination on a case-by-case basis.

SOCIAL AND CORPORATE POLICY ISSUES The manager will generally give management discretion with regard to social, environmental and ethical issues, although the manager may vote in favor of those that are believed to have significant economic benefits or implications for the Fund and its shareholders.

GLOBAL CORPORATE GOVERNANCE Many of the tenets discussed above are applied to proxy voting decisions for international companies. However, the manager must be more flexible in these instances and must be mindful of the varied market practices of each region.

The manager will attempt to process every vote it receives for all domestic and foreign proxies. However, there may be situations in which the manager cannot process proxies, for example, where a meeting notice was received too late, or sell orders preclude the ability to vote. The manager may abstain from voting under certain circumstances or vote against items such as "Other Business" when the manager is not given adequate information from the company.

Shareholders may view the complete Policies on-line at www.franklintempleton.com. Alternatively, shareholders may request copies of the Policies free of charge by calling the Proxy Group collect at 1-954-847-2268 or by sending a written request to: Franklin Templeton Companies, LLC, 500 East Broward Boulevard, Suite 1500, Fort Lauderdale, FL 33394, Attention: Proxy Group. Copies of the Fund's proxy voting records will also be made available on-line at www.franklintempleton.com and posted on the SEC website at www.sec.gov no later than August 31, 2004 and will reflect the twelve-month period beginning July 1, 2003, and ending June 30, 2004

ITEM 9. CONTROLS AND PROCEDURES.

(a) **EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES.** The Registrant maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Registrant's filings under the Securities Exchange Act of 1934 and the Investment Company Act of 1940 is recorded, processed, summarized and reported within the periods specified in the rules and forms of the Securities and Exchange Commission. Such information is accumulated and communicated to the Registrant's management, including its principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. The Registrant's management, including the principal executive officer and the principal financial officer, recognizes that any set of controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

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Within 90 days prior to the filing date of this Shareholder Report on Form N-CSR, the Registrant had carried out an evaluation, under the supervision and with the participation of the Registrant's management, including the Registrant's principal executive officer and the Registrant's principal financial officer, of the effectiveness of the design and operation of the Registrant's disclosure controls and procedures. Based on such evaluation, the Registrant's principal executive officer and principal financial officer concluded that the Registrant's disclosure controls and procedures are effective.

(B) CHANGES IN INTERNAL CONTROLS. There have been no significant changes in the Registrant's internal controls or in other factors that could significantly affect the internal controls subsequent to the date of their evaluation in connection with the preparation of this Shareholder Report on Form N-CSR.

ITEM 10. EXHIBITS

(A) CODE OF ETHICS FOR PRINCIPAL EXECUTIVE AND SENIOR FINANCIAL OFFICERS.

(B) (1) CERTIFICATIONS PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002 OF JIMMY D. GAMBILL, CHIEF EXECUTIVE OFFICER - FINANCE AND ADMINISTRATION, AND KIMBERLEY H. MONASTERIO, CHIEF FINANCIAL OFFICER

(B) (2) CERTIFICATIONS PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 OF JIMMY D. GAMBILL, CHIEF EXECUTIVE OFFICER - FINANCE AND ADMINISTRATION, AND KIMBERLEY H. MONASTERIO, CHIEF FINANCIAL OFFICER

SIGNATURES

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

FRANKLIN FLOATING RATE TRUST

By /s/Jimmy D. Gambill
Chief Executive Officer - Finance and Administration
Date September 30, 2003

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By /s/Jimmy D. Gambill
Chief Executive Officer - Finance and Administration
Date September 30, 2003

By /s/Kimberley H. Monasterio
Chief Financial Officer
Date September 30, 2003