

FRANKLIN FLOATING RATE TRUST

Form N-30D

April 03, 2002

SHAREHOLDER LETTER

YOUR FUND'S GOAL: FRANKLIN FLOATING RATE TRUST'S PRIMARY GOAL IS TO PROVIDE AS HIGH A LEVEL OF CURRENT INCOME AND PRESERVATION OF CAPITAL AS IS CONSISTENT WITH INVESTMENT PRIMARILY IN SENIOR SECURED CORPORATE LOANS AND CORPORATE DEBT SECURITIES WITH FLOATING INTEREST RATES.

Dear Shareholder:

This semiannual report for Franklin Floating Rate Trust covers the period ended January 31, 2002.

ECONOMIC OVERVIEW

After a sluggish start to 2001, the U.S. economy slowed further and entered a recession in the second half of the year as businesses cut down on expenditures and scaled back production. The terrorist attacks of September 11 only exacerbated the downturn. The Federal Reserve Board (the Fed), having anticipated the potential slowdown early in the year, continued its campaign of cutting short-term interest rates, lowering the federal funds target rate to just 1.75% on January 31, 2002, from 3.75% at the beginning of the period.

The dollar value, number of shares or principal value, and complete legal titles of all portfolio holdings are listed in the Fund's Statement of Investments (SOI). The SOI begins on page 10.

CONTENTS

Shareholder Letter	1
Performance Summary	8
Financial Highlights & Statement of Investments	9
Financial Statements	21
Notes to Financial Statements	24

[graphic omitted]

FUND CATEGORY
Global
Growth

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

Growth & Income
Income
Tax-Free Income

WHAT ARE SYNDICATED BANK LOANS?

SYNDICATED BANK LOANS ARE TYPICALLY SECURED, FLOATING RATE LOANS TO CORPORATE BORROWERS MADE BY A GROUP, OR SYNDICATE, OF BANKS AND OTHER LENDERS. A GROUP OF LENDERS PROVIDES CAPITAL TO COMPANIES FOR VARIED PURPOSES, SUCH AS MERGER AND ACQUISITION ACTIVITY, LEVERAGED BUYOUTS OR REFINANCINGS. BORROWING RATES ARE GENERALLY PEGGED TO AN INDEX, SUCH AS LIBOR, THE LONDON INTERBANK OFFERED RATE.

Long-term interest rates were flat during the six months under review, with the 10-year Treasury note yield ending the period where it began, at 5.07%. Short-term interest rates, as measured by the 3-month London InterBank Offered Rate (LIBOR), the benchmark underlying many of the Trust's floating rate loans, fell substantially, to 1.88% on January 31, 2002, down from 3.67% on July 31, 2001. Equity markets fluctuated wildly during the period, but remained range bound. At period-end, the Dow Jones Industrial Average stood at 9920.00, compared with 10522.80 at the beginning of the period.¹

SYNDICATED BANK LOAN MARKET

The second half of 2001 was challenging for the bank loan asset class, as yield and asset value declines negatively impacted returns. September and October were two of the worst-performing months ever for the syndicated bank loan market with returns of -2.00% and -1.60%. Loan prices began to fall following the events of September 11, as investors priced in the certainty of a recession and realized that loan credit quality would most likely continue to deteriorate. Investors shunned higher risk, single B-rated names in favor of loans closer to investment-grade quality. Although the new-issue market did not shut down completely, most lower-rated deals remained on the sidelines. Moody's(R), an independent credit rating agency, added to this dire outlook when it increased its peak default rate forecast. The market punished specific sectors, including lodging and transportation, whose

1. Source: Standard & Poor's Micropal. The Dow Jones Industrial Average is price-weighted based on the average market price of 30 blue chip stocks. Total return, calculated by Wilshire Associates, Inc., includes reinvested dividends.

businesses fell due to the attacks, and telecommunications, which was suffering from overcapacity and too little demand.

In November, the loan market recovered, taking its cue from the equity and high yield bond market recoveries in October, and posted a 1.60% gain. The secondary

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

market's turnaround benefited from strong money inflows largely due to a number of new institutional investors. The dearth of primary market issuance after September forced investors to look to the secondary market for opportunities as well.

Although financial markets seemed to have stabilized since September 11, the economic slowdown and difficult environment for loans persisted throughout the period. In particular, credit quality continued to deteriorate. According to Standard & Poor's Portfolio Management Data, 11 issuers defaulted during the fourth quarter, setting a new quarterly record for high yield bond and loan defaults. Credit agency downgrades also outpaced upgrades by 9.5 times among high yield borrowers.

Borrowers started to demand concessions from lenders through amendments and waivers to help them get through the difficult times. Furthermore, low interest rates, as a result of the Fed's attempts to stimulate the economy, reduced yields. Short-term interest rates plummeted to their lowest levels in decades, with the three-month LIBOR falling below 2.00%, sharply reducing the interest paid by borrowers.

TOP 10 HOLDINGS 1/31/02

COMPANY SECTOR/INDUSTRY	% OF TOTAL NET ASSETS
Conseco Inc. LIFE & HEALTH INSURANCE	4.3%
Wyndham International Inc. HOTEL, RESORTS & CRUISELINES	2.1%
Washington Group International Inc. ENGINEERING & CONSTRUCTION	2.0%
Cricket Communications Inc. WIRELESS COMMUNICATIONS	1.9%
UPC Distribution Holdings BV CABLE & SATELLITE TELEVISION	1.9%
Blockbuster Inc. MOVIES & ENTERTAINMENT	1.8%
Wyndham International Inc. HOTEL, RESORTS & CRUISELINES	1.5%
Nextel Communications Inc. WIRELESS COMMUNICATIONS	1.3%
Charter Communications Operating LLC CABLE & SATELLITE TELEVISION	1.3%
Integrated Health Services Inc.	1.3%

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

MANAGED HEALTH CARE

3

DIVIDEND DISTRIBUTIONS*
8/1/01-1/31/02

MONTH	DIVIDEND PER SHARE
August	6.0170 cents
September	5.5148 cents
October	6.3636 cents
November	4.7512 cents
December	5.0032 cents
January	4.6816 cents
TOTAL	32.3314 CENTS

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

PORTFOLIO NOTES

Within this challenging environment, Franklin Floating Rate Trust posted a -0.70% cumulative total return for the six months ended January 31, 2002, as shown in the Performance Summary on page 8. The Fund's share price, as measured by net asset value, declined from \$9.24 on July 31, 2001, to \$8.85 at period-end, with the bulk of the decline occurring after the September 11 attacks.

During the six months under review, we continued to pursue our strategy of focusing on providing loans to companies with strong franchise value and asset coverage. Consistent with that approach, we added to our investments in the bank debt of Mission Energy Holding, parent company of Edison Mission Energy (EME), one of the world's largest independent electricity producers. EME's portfolio of power projects includes 33 domestic and 40 international power projects with aggregate generation capacity of 28,036 megawatts. EME also markets energy and manages risks associated with energy price fluctuations. A significant portion of the capacity and output from EME's facilities is sold under long-term contracts, providing more predictable revenue streams.

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

As a subsidiary of California utility Edison International, EME approached the bank loan market during a difficult period, with the entire California utility sector under pressure and facing uncertainty. Under these circumstances, the company had to pay lenders a significant interest rate over LIBOR. Eventually, the improvement in California's energy market, which also benefited EME's credit profile, caused the loans to trade at a significant premium over the par price, resulting in a healthy profit for the Fund.

4

The Trust also added to investments in the \$900 million senior secured credit facility of Extended Stay America (ESA), which the company used to refinance outstanding debt. ESA, the fastest-growing hotel chain in U.S. history, operates 432 extended-stay lodging hotels in 41 states. ESA has a different business model than a typical hotel, which we view as more defensive. Three-quarters of the company's customers travel by car, and the average length of stay is significantly longer than at a typical leisure hotel. Also, ESA is geographically dispersed with a broad customer base and does not cater to large groups in urban areas. We believe ESA is well-positioned to weather further economic weakness due to its strong balance sheet, ample liquidity and unique business model.

During the reporting period, we also invested in the \$225 million term loan of the Newkirk Master Limited Partnership, a real estate joint venture owned by three well-respected investment companies. The Newkirk partnerships own 242 properties throughout 35 states and are well diversified across various property types including retail, office and industrial, with virtually no lodging exposure. We considered this investment attractive because of its strong management team and property diversification, and the fact that approximately 80% of the properties are leased to investment grade tenants, giving us confidence that there will be a reliable stream of lease payments to service the term debt.

As the economic downturn became more pronounced, we began to position the Fund more defensively and made various investments in the food industry. We participated in one of the industry's larger mergers when Suiza Foods Company acquired Dean

5

Foods and formed a national dairy and foods company. As a result of the merger, the new Dean Foods company is now the country's largest fluid milk processor and third-largest ice cream processor. We noted that the \$25 billion U.S. dairy industry is a mature but highly fragmented industry with excess capacity and that these factors have driven consolidation in recent years. We liked the company because the combined entity is the only company in the U.S. with a nationwide capacity for fluid dairy product distribution.

Looking forward, we will maintain our strategy of holding loans from companies that we believe possess defensive market positions and strong asset coverage in industries that we feel will do well even during periods of economic decline. With its relatively stable share price and potential for high, current income,

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

we believe the Fund is an attractive investment for investors seeking to diversify portfolios heavily weighted in equities.

6

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

Sincerely,

/S/SIGNATURE
Charles B. Johnson
Chairman
Franklin Floating Rate Trust

/S/SIGNATURE
Chauncey Lufkin
Portfolio Manager
Franklin Floating Rate Trust

A NOTE ABOUT
DUPLICATE MAILINGS

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

January 31, 2002, the end of the reporting period. The information provided is not a complete analysis of every aspect of any country, industry, security or the Fund. Our strategies and the Fund's portfolio composition will change

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

depending on market and economic conditions. Although historical performance is no guarantee of future results, these insights may help you understand our investment and management philosophy.

7

PERFORMANCE SUMMARY AS OF 1/31/02

DISTRIBUTIONS AND RETURNS WILL VARY BASED ON EARNINGS OF THE FUND'S PORTFOLIO AND ANY PROFITS REALIZED FROM THE SALE OF THE PORTFOLIO'S SECURITIES, AS WELL AS THE LEVEL OF THE FUND'S OPERATING EXPENSES. ALL TOTAL RETURNS INCLUDE REINVESTED DISTRIBUTIONS AT NET ASSET VALUE. THE PERFORMANCE TABLE DOES NOT REFLECT THE DEDUCTION OF TAXES THAT A SHAREHOLDER WOULD PAY ON FUND DISTRIBUTIONS OR THE REDEMPTION OF FUND SHARES.

PRICE AND DISTRIBUTION INFORMATION

	CHANGE	1/31/02	7/31/01
Net Asset Value (NAV)	-\$0.39	\$8.85	\$9.24
DISTRIBUTIONS (8/1/01-1/31/02)			
Dividend Income	\$0.323314		

PERFORMANCE

	6-MONTH	1-YEAR	3-YEAR	INCEPTION (10/10/97)
Cumulative Total Return 1	-0.70%	-0.28%	+13.96%	+23.10%
Average Annual Total Return 2	-1.66%	-1.20%	+4.45%	+4.94%
Avg. Ann. Total Return (12/31/01) 3		-0.99%	+4.55%	+4.99%
Distribution Rate 4		6.22%		
30-Day Standardized Yield 5		7.91%		

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

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

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

1. Cumulative total return represents the change in value of an investment over the periods indicated and does not include the early withdrawal charge.
2. Average annual total return represents the average annual change in value of an investment over the periods indicated and includes the 1% early withdrawal charge, assuming shares were redeemed within 12 months of purchase. Six-month return has not been annualized.
3. In accordance with SEC rules, we provide standardized average annual total return information through the latest calendar quarter.
4. The distribution rate is based on the annualization of daily distributions totaling 4.5274 cents per share during the last 30 days of January and the \$8.85 NAV on 1/31/02.
5. Yield, calculated as required by the SEC, is based on the earnings of the Fund's portfolio for the 30 days ended 1/31/02.

8 Past performance does not guarantee future results.

FRANKLIN FLOATING RATE TRUST
Financial Highlights

	SIX MONTHS ENDED		YEAR ENDED
	JANUARY 31, 2002 (UNAUDITED)	2001	2000
PER SHARE OPERATING PERFORMANCE (for a share outstanding throughout the period)			
Net asset value, beginning of period	\$9.24	\$9.85	\$9.98
Income from investment operations:			
Net investment income322	.875	.839
Net realized and unrealized gains (losses)	(.389)	(.606)	(.130)
Total from investment operations	(.067)	.269	.709
Less distributions from net investment income	(.323)	(.879)	(.839)
Net asset value, end of period	\$8.85	\$9.24	\$9.85
Total return b	(.70)%	2.80%	7.39%

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

RATIOS/SUPPLEMENTAL DATA

Net assets, end of period (000's)	\$2,185,553	\$2,832,188	\$2,541,497	\$
Ratios to average net assets:				
Expenses	1.38% c	1.36%	1.35%	
Expenses excluding waiver and payments by affiliate	1.38% c	1.36%	1.35%	
Net investment income	7.28% c	9.07%	8.51%	
Portfolio turnover rate	28.58%	84.15%	66.27%	

a For period October 10, 1997 (effective date) to July 31, 1998.

b Total return does not reflect the contingent deferred sales charge and is not annualized for periods less than one year.

c Annualized

See notes to financial statements.

9

FRANKLIN FLOATING RATE TRUST

STATEMENT OF INVESTMENTS, JANUARY 31, 2002 (UNAUDITED)

	PRINCIPAL		AMOUNT*

LONG TERM INVESTMENTS 98.0%			
a SENIOR FLOATING RATE INTERESTS 97.0%			
ADVERTISING/MARKETING SERVICES .1%			
Adams Outdoor Advertising Inc., Term Loan B, 5.41%, 12/26/07	\$ 3,000,000		\$ 3

AEROSPACE & DEFENSE .8%			
Alliant Techsystems Inc., Term Loan B, 4.938%, 4/20/09	2,813,287		2
Fairchild Holdings, Term Loan B, 4.84 - 4.853%, 4/30/06	8,560,063		7
Veridian Corp., Term Loan, 5.52 - 5.58%, 9/14/06	4,924,938		4
Vought Aircraft Industries, Term Loan X, 4.83%, 12/01/06	2,600,000		2

			17

AGRICULTURAL COMMODITIES/MILLING .1%			
Hines Nurseries Inc., Term Loan B, 5.563%, 2/28/05	2,970,000		2

APPAREL			
St. John Knits International Inc., Term Loan B, 4.813 -			
5.063%, 7/31/07	765,451		-----
AUTO PARTS: O.E.M. 3.5%			
Dayco Products LLC, Term Loan B, 4.966 - 5.41%, 5/31/07	4,231,718		4
Exide Corp., Term Loan B, 7.08 - 7.499%, 12/18/05	18,097,909		13
Metaldyne Inc., Term Loan B, 7.75%, 11/28/08	20,664,493		19
SPX Corp.,			
Term Loan B, 4.375 - 4.438%, 12/31/06	2,731,709		2
Term Loan C, 4.688%, 12/31/07	9,232,395		9
Tenneco Automotive Inc.,			
Term Loan B, 5.95%, 11/04/07	15,368,975		13
Term Loan C, 6.20%, 5/04/08	15,368,975		13

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

			77

	BROADCASTING 2.9%		
	Benedek Broadcasting Corp., Term Loan B, 7.00%, 11/20/07	19,000,000	17
	Comcorp Broadcasting Inc., Term Loan, 5.25 - 5.86%, 3/31/03	3,457,005	2
c	Comcorp Holdings Inc., Term Loan, 4.75 - 11.875%, 9/30/03	4,718,652	3
	Corus Entertainment, Term Loan B, 5.10%, 9/01/07	3,860,606	3
	Emmis Communications Corp., Term Loan B, 5.375 - 5.688%, 8/31/09	1,949,027	1
	Nassau Broadcasting Partners LP, Term Loan B, 9.25%, 6/30/07	5,778,111	5
	Quorum Broadcasting Co., Term Loan B, 9.25%, 9/30/07	8,236,221	7
	Sinclair Broadcast Group Inc.,		
	Incremental Term Loan B, 5.93%, 9/30/09	5,000,000	5
	Revolver, 1.75 - 5.374%, 9/15/05	12,011,938	11
	White Knight Broadcasting Inc., Term Loan B, 5.25 -		
	5.86%, 3/31/03	3,525,555	2

			63

	BUILDING PRODUCTS .8%		
	Formica Corp., Term Loan B, 8.23 - 9.88%, 4/30/06	14,617	
	Magnatrax Corp., Term Loan B, 6.511%, 11/15/05	4,196,711	3
	Tapco International Inc.,		
	Term Loan B, 5.15 - 5.154%, 7/23/07	7,478,693	7
	Term Loan C, 5.40 - 5.404%, 7/23/08	6,259,943	6

			17

10

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

			PRINCIPAL AMOUNT*

	LONG TERM INVESTMENTS (CONT.)		
a	SENIOR FLOATING RATE INTERESTS (CONT.)		
	CABLE/SATELLITE TELEVISION 9.2%		
	Century Cable (Adelphia),		
	Discretionary Term Loan, 4.89%, 6/30/09	\$ 12,500,000	\$ 12
	Discretionary Term Loan, 4.87%, 12/31/09	9,000,000	8
	Charter Communications CCVI,		
	Revolver, 0.50%, 5/12/08	875,000	
	Term Loan A, 2.97%, 5/12/08	1,125,000	1
	Term Loan B, 4.22%, 11/12/08	20,000,000	19
	Charter Communications CCVIII, Term Loan B, 4.63%, 2/02/08	18,000,000	17
	Charter Communications Operating LLC,		
	Incremental Term Loan, 4.48%, 9/18/08	28,750,000	28
	Term Loan B, 4.52%, 3/18/08	5,000,000	4
	Mediacom Illinois, Term Loan B, 4.71%, 12/31/08	5,000,000	5
	Olympus Cable Holdings, Term Loan B, 4.75%, 9/30/10	9,000,000	8
	Pegasus Media Communications Corp., Term Loan B, 5.438%, 4/30/05	17,325,000	16
	UCA-HHC (Adelphia), Term Loan, 4.375%, 3/31/08	26,000,000	25
	UPC Distribution Holdings BV, Term Loan B, 6.371%, 3/31/09	48,500,000	40

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

Videotron Itee, Term Loan B, 4.59 - 4.625%, 12/01/09	10,000,000	9

		201

CASINOS/GAMING .9%		
Ameristar Casinos Inc.,		
Term Loan B, 5.688%, 12/20/06	1,801,706	1
Term Loan C, 5.938%, 12/20/07	1,599,038	1
Boyd Gaming Corp., Term Loan B, 5.02 - 5.37%, 6/15/03	1,921,500	1
Greektown Casinos LLC., Term Loan B, 5.875 - 6.125%, 11/16/04	3,878,323	3
Hollywood Casino Corp., 8.451%, 5/01/06	5,000,000	5
Scientific Games Corp., Term Loan B, 6.125 - 6.375%, 9/30/07	6,073,586	6

		20

CHEMICALS: SPECIALTY 1.2%		
Arteva B.V. (Kosa), Term Loan B, 5.409% 12/31/06	3,785,452	3
Hercules Inc., Term Loan D, 5.16%, 11/15/05	1,980,000	1
Ineos Group Ltd., Term Loan C, 5.405%, 6/30/09	7,500,000	7
Noveon Inc., Term Loan B, 5.625 - 5.875%, 9/30/08	4,975,000	4
RK Polymers LLC, Term Loan B, 6.25 - 7.813%, 3/07/09	7,687,671	7

		25

COMMERCIAL PRINTING/FORMS .4%		
Mail-Well Inc., Term Loan B, 4.904 - 6.13%, 2/22/07	8,221,996	7

CONSUMER SUNDRIES .4%		
American Greetings Corp., Term Loan B, 6.596%, 6/15/06	2,982,500	2
Church & Dwight Co., Term Loan B, 4.38%, 5/27/09	1,000,000	1
Playtex Products Inc.,		
Revolver, 0.50 - 2.75%, 5/31/07	2,777,778	2
Term Loan A, 4.52 - 4.934%, 5/31/07	1,688,889	1

		8

11

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

			PRINCIPAL AMOUNT*

LONG TERM INVESTMENTS (CONT.)			
a	SENIOR FLOATING RATE INTERESTS (CONT.)		
	Containers/Packaging 2.3%		
	Crown Cork & Seal Co. Inc., Term Loan, 5.29%, 8/04/02	\$ 12,000,000	\$ 11
	Graham Packaging Co.,		
	Term Loan B, 4.438%, 1/31/06	2,664,975	2
	Term Loan C, 4.688%, 1/31/07	2,208,122	2
	Term Loan D, 4.875 - 7.038%, 1/31/07	9,095,000	8
	Impress Metal Packaging Ltd., Term Loan G, 5.234%, 12/31/06	492,500	
	Pliant Corp., Term Loan B, 5.938%, 5/31/08	2,857,143	2
	Stone Container Corp.,		

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

Term Loan F, 5.188%, 12/31/05	7,522,081	7
Term Loan G, 5.438%, 12/31/06	4,408,001	4
Term Loan H, 5.438%, 12/31/06	3,515,700	3
Tekni-Plex Inc., Term Loan B, 5.313%, 6/21/08	4,925,000	4
49		
Department Stores .7%		
JC Penney Co. Inc., Revolver, 0.50%, 10/03/02	15,000,000	14
Drug Store Chains .6%		
Rite Aid Corp., Term Loan, 5.25 - 5.375%, 3/15/05	10,500,000	10
Shoppers Drug Mart, Term Loan C, 4.875%, 2/04/08	2,536,654	2
12		
Electrical Products .5%		
Neptune Technology Group Inc., Term loan B, 5.435%, 11/01/08	4,000,000	4
Superior Telecom Inc., Term Loan B, 6.688%, 11/27/05	9,132,822	6
10		
Electronic Components .6%		
Seagate Technology International, Term Loan B, 5.188%, 11/22/06	13,260,126	13
Engineering & Construction 2.8%		
URS Corp.,		
Term Loan B, 4.875 - 6.75%, 6/09/06	880,742	
Term Loan C, 5.125 - 7.00%, 6/09/07	880,742	
Washington Group International Inc.,		
Synthetic Term Loan, 3.10%, 7/23/04	17,000,000	16
c Term Loan B, 7.00%, 7/07/07	52,269,286	43
61		
Environmental Services 2.6%		
Allied Waste Industries Inc.,		
Term Loan B, 4.563 - 4.688%, 7/30/06	15,083,383	14
Term Loan C, 4.875 - 5.50%, 7/30/07	18,911,173	18
Environmental Systems, Products Holdings Inc.,		
PIK Loan, 5.37 - 5.404%, 12/31/04	8,831,782	5
Term Loan, 5.846 - 6.096%, 12/31/04	19,322,191	17
56		

12

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

PRINCIPAL
AMOUNT*

LONG TERM INVESTMENTS (CONT.)
a SENIOR FLOATING RATE INTERESTS (CONT.)
 Financial Conglomerates .7%

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

Ares IV, Term Loan D, 7.903%, 12/22/12	\$ 1,364,358	\$ 1
Centurion II, Tranche D, 7.999%, 11/12/12	2,500,000	2
Clydesdale CLO, Tranche D, 8.27%, 3/22/13	2,000,000	1
Finova Group Inc., 7.50%, 11/15/09	17,086,000	6
First Dominion Funding II, sub. floating rate deb.,		
Series A-D 144A, 7.45%, 4/25/14	3,000,000	2
Highland CLO I, Term Loan D, 8.45%, 6/01/11	2,000,000	1

		16

Food Chains .1%		
Winn-Dixie Stores, Term Loan B, 4.625%, 3/31/07	1,536,012	1

Food: Major Diversified 1.6%		
Agrilink Foods Inc.,		
Term Loan B, 5.83 - 6.551%, 9/30/04	4,220,323	4
Term Loan C, 6.08 - 6.801%, 9/30/05	4,326,446	4
Aurora Food Holdings, Revolver, 0.50% - 5.61%, 6/30/05	5,996,960	5
CP Kelco,		
Term Loan B, 5.659%, 3/31/08	3,316,667	3
Term Loan C, 5.909%, 9/30/08	1,108,333	1
International Multifoods Corp., Term Loan B, 4.74 - 5.00%, 2/28/08	2,000,000	2
Merisant Corp., Term Loan B, 5.19%, 3/17/07	1,078,143	1
Nutrasweet,		
Second Lien Term Loan, 7.188%, 5/24/09	3,000,000	2
Term Loan B, 5.375 - 5.563%, 5/24/07	1,661,216	1
Suiza Foods Corp., Term Loan B, 4.91%, 12/21/08	10,000,000	10

		35

Hospital/Nursing Management 4.9%		
Genesis Health Ventures Inc.,		
Delayed Draw, 5.37 - 5.86%, 3/30/07	2,191,781	2
Floating Rate Note, 6.881%, 4/02/07	5,380,442	5
Term Loan B, 5.93%, 3/30/07	7,788,699	7
Iasis Healthcare Corp.,		
Term Loan A, 5.60 - 5.62%, 9/30/04	4,583,333	4
Term Loan B, 6.35 - 6.37%, 9/30/06	7,303,123	7
c Integrated Health Services Inc.,		
Revolver, 0.50 - 9.75%, 9/15/03	29,034,999	16
Term Loan B, 9.75%, 9/15/03	49,467,986	28
Term Loan C, 9.75%, 9/15/03	15,973,403	9
c Mariner Post-Acute Network Inc.,		
Revolver, 0.50 - 7.00%, 3/31/04	16,787,974	11
Term Loan A, 7.00%, 3/31/04	6,915,170	4
Term Loan B, 7.00%, 3/31/05	9,302,095	6
Term Loan C, 7.00%, 3/31/06	4,999,429	3
Triad Hospitals Inc., Term Loan B, 4.83%, 9/30/08	997,273	1

		106

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

PRINCIPAL
AMOUNT*

LONG TERM INVESTMENTS (CONT.)			
a SENIOR FLOATING RATE INTERESTS (CONT.)			
Hotel/Resorts/Cruiselines 5.1%			
Extended Stay America Inc., Term Loan B, 4.77%, 7/01/07		\$ 9,000,000	\$ 9
Sunburst Hospitality Corp., Term Loan, 5.77%, 12/21/05		16,870,651	16
Wyndham International Inc.,			
Increasing Rate Note, 6.625%, 6/05/03		36,312,167	32
Revolver, 2.00 - 5.625%, 6/30/05		10,000,000	8
Term Loan B, 6.625%, 6/30/04		50,872,071	44
			111
Household/Personal Care .1%			
Mary Kay Inc., Term Loan B, 5.739%, 10/03/07		2,000,000	2
Industrial Machinery .3%			
Blount International Inc., Term Loan B, 6.41 - 6.80%, 6/30/06		2,448,897	2
Gleason Corp., Term Loan B, 5.375 - 5.50%, 2/18/08		4,594,372	4
			7
Life/Health Insurance 4.3%			
Conseco Inc., Term Loan, 4.25 - 4.4375%, 9/30/03		110,839,350	94
Major Telecommunications 3.4%			
Alec Holdings Inc.,			
Term Loan B, 4.875%, 11/04/07		2,631,579	2
Term Loan C, 5.00%, 5/14/08		2,368,421	2
Allegiance Telecom Inc.,			
Delayed Draw Term Loan, 6.28%, 12/31/06		10,500,000	8
Revolver, 0.50 - 6.28%, 12/31/06		24,500,000	20
E.Spire Communications Inc., Term Loan C, 8.75%, 8/01/06		16,877,867	13
ICG Communications Inc., Term Loan B, 9.00%, 3/31/06		2,399,045	2
McLeod USA Inc., Term Loan B, 5.23%, 5/31/08		15,000,000	10
c Northpoint Communications Group Inc., Term Loan, 9.50%, 3/31/04		11,929,408	7
c WCI Capital Corp., Term Loan B, 10.25%, 3/31/07		30,500,000	
c Winstar Communications Inc., DIP, 7.75%, 12/31/02		5,833,333	1
XO Communications Inc., Term Loan B, 7.00%, 6/30/07		10,500,000	6
			75
Managed Health Care .4%			
Pacificare Health Systems Inc., Term Loan, 5.69%, 1/02/03		9,615,385	9
Marine Shipping .6%			
Great Lakes Transportation LLC, Term Loan, 5.75 - 5.938%, 3/23/08		13,721,050	13
Media Conglomerates .8%			
c Bridge Information Systems Inc.,			
Multi-Draw Term Loan, 7.50%, 5/29/03		816,975	
Term Loan A, 7.50%, 5/29/03		810,243	
Term Loan B, 6.75%, 5/29/05		24,595,094	10
PEI Holdings, Term Loan B, 6.363 - 6.418%, 3/15/06		7,079,622	6
			17

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

14

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

	PRINCIPAL AMOUNT*	

LONG TERM INVESTMENTS (CONT.)		
a SENIOR FLOATING RATE INTERESTS (CONT.)		
Medical/Nursing Services 1.0%		
Alliance Imaging Inc.,		
Term Loan B, 4.50 - 5.813%, 11/30/07	\$ 242,450	\$
Term Loan C, 4.75 - 6.063%, 11/30/08	234,119	
American HomePatient Inc., Term Loan, 5.25%, 12/31/02	20,856,550	16
Maxxim Medical,		
Term Loan B, 5.879%, 5/12/06	2,092,978	1
Term Loan C, 6.129%, 5/12/07	2,092,978	1

		20

Medical Specialties .1%		
Hanger Orthopedic Group Inc., Term Loan B, 6.158%, 12/31/06	2,665,257	2

Metal Fabrication .4%		
Mueller Group, Term Loan D, 5.83 - 6.10%, 8/16/07	8,237,046	8

Military/Government/Technical .1%		
DRS Technologies Inc., Term Loan, 5.10 - 5.52%, 9/28/08	2,493,750	2

Miscellaneous Commercial Services 1.1%		
Burhmann US Inc., Term Loan B, 5.50%, 10/26/07	20,864,149	20
Outsourcing Solutions Inc., Term Loan B, 5.83%, 6/01/06	4,887,500	4

		24

Miscellaneous Manufacturing .6%		
General Cable Corp., Term Loan B, 5.125%, 5/27/07	3,212,109	3
Mediapak Holdings Corp.,		
Term Loan B, 5.645%, 1/14/06	5,744,287	4
Term Loan C, 5.895%, 1/14/07	5,744,287	4

		12

Movies/Entertainment 5.5%		
AMC Entertainment Inc., 0.50 - 1.50%, Revolver, 4/10/04	10,000,000	9
AMF Bowling Inc., Term Loan A, 7.50%, 3/31/02	841,769	
Blockbuster Inc., Revolver, 7/01/04	41,465,384	39
Dreamworks Film Trust II, Term Loan B, 4.527%, 1/15/09	2,700,000	2
Fitness Holdings Worldwide Inc.,		
Term Loan B, 6.063%, 11/02/06	4,920,000	4
Term Loan C, 6.313%, 11/02/07	10,156,456	8
Hoops LP (Memphis Grizzlies), Term Loan, 5.24%, 9/30/05	10,000,000	9
Loews Cineplex Entertainment Corp.,		

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

DIP, 0.50 - 6.50%, 3/31/02	2,940,699	2
Revolver, 0.50 - 6.25%, 5/14/03	24,284,675	22
Phoenix Suns, Term Loan B, 4.105 - 4.36%, 3/31/05	10,000,000	10
United Artist Theaters, Term Loan, 5.83%, 2/02/05	1,870,154	1
Washington Football Group, Holdings Term Loan, 5.398%, 10/22/04	6,600,000	6
Operating Term Loan, 4.023%, 10/22/04	300,000	

120

15

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

	PRINCIPAL AMOUNT*	

LONG TERM INVESTMENTS (CONT.)		
a SENIOR FLOATING RATE INTERESTS (CONT.)		
Other Consumer Services .5%		
Sotheby's Holdings Inc., Term Loan B, 4.813 - 4.92%, 8/11/02	\$ 10,000,000	\$ 9

Other Consumer Specialties .1%		
Holmes Products Corp., Term Loan B, 6.063 - 6.125%, 2/05/07	1,791,353	1

Other Metals/Minerals .2%		
Better Minerals & Aggregates, Term Loan B, 5.50 - 7.75%, 9/30/07	4,868,421	4

Other Transportation 1.6%		
Eurotunnel Finance Ltd.,		
Tier 1 Jr Debt, 7.03%, 7/01/25 (United Kingdom)	13,902,672 GBP	18
Tier 2 Jr Debt, 7.03%, 7/01/25 (United Kingdom)	14,000,000 GBP	16

		34

Pharmaceuticals: Generic .1%		
Alpharma Operating Corp., Term Loan B, 5.25%, 10/05/08	3,120,833	3

Printing/Forms 2.2%		
American Reprographics, Term Loan B, 5.563%, 4/10/08	16,211,505	15
c Dimac Holdings, Term Loan A, 7.75%, 12/31/05	2,092,640	
c Dimac Marketing Partners,		
Revolver, 7.75%, 7/01/03	233,270	
Term Loan A, 7.75%, 7/01/03	520,564	
Term Loan B, 7.75%, 1/01/05	2,003,533	
Vertis,		
Term Loan B, 6.063 - 6.85%, 12/09/08	9,819,557	8
Bridge Term Loan, 12.881%, 12/09/09	25,000,000	20
Yellow Book USA, Term Loan C, 5.33%, 3/31/10	2,000,000	2

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

		47

Property-Casualty Insurance 1.3%		
White Mountain Insurance Group Inc., Term Loan B, 4.895%, 3/31/07	28,000,000	28

Publishing: Books/Magazines .9%		
American Media Inc., Term Loan B, 6.84 - 6.87%, 4/01/07	992,490	
Primedia Inc., Term Loan B, 4.563 - 4.688%, 6/30/09	10,945,000	10
Reiman Publications Co., Term Loan B, 5.625%, 11/30/05	3,436,592	3
Weekly Reader, Term Loan, 5.74 - 5.91%, 11/08/06	4,787,755	4

		19

Publishing: Newspapers .8%		
Canwest Media Inc.,		
Term Loan B, 5.511%, 5/15/08	6,619,732	6
Term Loan C, 5.761%, 5/15/09	4,135,695	4
Trader.Com, (Netherlands)		
Term Loan B, 5.08%, 12/31/06	4,178,945	4
Term Loan C, 5.58%, 12/31/07	3,019,719	2

		17

16

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

		PRINCIPAL AMOUNT*

LONG TERM INVESTMENTS (CONT.)		
a SENIOR FLOATING RATE INTERESTS (CONT.)		
Pulp & Paper 1.1%		
Alabama Pine & Pulp,		
PIK Term Loan B, 5.83%, 6/30/05	\$ 3,960,284	\$
PIK Term Loan C, 10.75%, 6/30/05	5,618,180	
Revolver, 0.50 - 9.83%, 6/30/03	5,000,000	4
Term Loan A, 5.83%, 6/30/03	37,105,162	19

		24

Railroads .2%		
Helm Holding Corp., Term Loan B, 5.58 - 6.75%, 10/18/06	5,155,000	4

Real Estate Investment Trusts 3.1%		
Corrections Corp. of America,		
Term Loan B, 7.24%, 12/31/02	16,257,369	16
Term Loan C, 7.24%, 12/31/02	21,775,418	21
Newkirk Master LP, Term Loan, 9.25%, 1/30/05	13,000,000	12
Ventas Realty LP,		

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

Term Loan B, 5.16%, 12/31/05	6,840,316	6
Term Loan C, 6.16%, 12/31/07	9,912,808	9

		67

Rental/Leasing 2.1%		
Ashtead Group, Term Loan B, 6.60%, 6/30/07	19,760,000	19
Nations Rent Inc., Term Loan, 6.25 - 7.00%, 7/20/06	31,851,548	18
Rent-A-Center Inc., Revolver, 0.25 - 1.25%, 7/31/04	3,108,808	3
Rent-Way Inc., Term Loan B, 7.909%, 9/30/06	5,314,932	4
United Rentals Inc., Term Loan B, 9/30/07	17,468	

		45

Semiconductors 1.1%		
ON Semiconductor Corp.,		
Revolver, 0.50 - 5.938%, 8/04/05	1,071,429	
Term Loan A, 5.938%, 8/04/05	121,431	
Term Loan B, 5.938%, 8/04/06	9,581,482	7
Term Loan C, 5.938%, 8/04/07	10,318,519	8
Term Loan D, 5.938%, 8/04/07	8,955,000	7

		23

Specialty Stores .1%		
Petco Animal Supplies Inc., Term Loan B, 5.33 - 5.37%, 10/02/08	1,994,872	1

Specialty Telecommunications 2.4%		
c 360 Networks Inc., Term Loan, 8.25%, 12/15/07	19,000,000	4
c Global Crossing Holdings Ltd., Term Loan B, 4.91%, 8/15/06	2,472,744	
Level 3 Communications Inc.,		
Revolver, 0.50%, 9/30/07	23,636,364	14
Term Loan A, 4.59%, 9/30/07	13,363,636	8
Pacific Crossing Ltd., Term Loan, 4.125%, 7/28/06	23,025,712	9
RCN Corp., Term Loan B, 5.50%, 6/03/07	21,000,000	15

		53

17

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

	PRINCIPAL AMOUNT*	

LONG TERM INVESTMENTS (CONT.)		
a SENIOR FLOATING RATE INTERESTS (CONT.)		
Steel .8%		
Ispat Sidbec Inc.,		
Term Loan B, 6.159%, 7/16/04	\$ 6,069,557	\$ 4

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

	Term Loan C, 6.659%, 1/16/05	6,069,557	4
c	LTV Corp., Term Loan, 8.375%, 10/31/04	9,376,333	8

			17

	Telecommunications Equipment .8%		
	Acterna Dynatech Corp., Term Loan B, 5.909%, 9/30/07	23,341,176	16

	Textiles 1.3%		
	Foamex International Inc.,		
	Term Loan B, 6.25%, 6/30/05	1,520,458	1
	Term Loan C, 6.50%, 6/30/06	1,382,239	1
	Term Loan D, 6.625%, 12/31/06	7,099,563	6
	Pillowtex Corp.,		
	DIP, 0.50%, 6/30/02	6,666,667	6
	Term Loan B, 4.37 - 5.87%, 12/31/04	26,457,839	9
c	Synthetic Industries Inc., Bridge Loan, 12.25%, 6/14/08	10,000,000	2

			28

	Tools/Hardware .1%		
	Shop Vac Corp., Term Loan, 4.52%, 6/30/07	2,985,000	2

	Utilities 3.5%		
	AES EDC Funding II LLC, Term Loan, 4.858%, 10/06/03	25,000,000	23
	AES New York Funding LLC, Term Loan, 6.875%, 2/28/05	21,000,000	20
	Mission Energy Holding,		
	Term Loan A, 9.381%, 6/30/06	6,233,766	6
	Term Loan B, 9.381%, 6/30/06	17,766,234	18
	Western Resources Inc., Term Loan, 4.51 - 4.61%, 3/17/03	6,344,924	6

			76

	Wholesale Distributors .3%		
	Wilmar Industries Inc., Term Loan B, 5.90%, 9/29/07	7,406,250	6

	Wireless Communications 10.9%		
	Alamosa Holdings Inc., Term Loan, 5.75%, 2/15/08	13,513,514	13
	American Cellular Inc., Term Loan C, 5.13%, 2/25/09	3,373,740	3
c	Arch Wireless Inc.,		
	Term Loan B, 7.375%, 6/30/05	3,173,508	3
	Term Loan B-1, 6.875%, 6/30/06	90,277,859	16
	Term Loan C, 8.875%, 6/30/06	44,578,487	7
	Centennial Cellular Operating Co.,		
	Term Loan C, 5.12 - 5.35%, 11/30/07	4,456,572	3
	Term Loan B, 5.10 - 5.14%, 5/31/07	7,773,496	6
	Cricket Communications Inc., Term Loan, 6.50%, 6/30/07	55,000,000	41
	Microcell Connexions Inc.,		
	Term Loan B, 4.909%, 3/01/06	5,601,575	4
	Term Loan E, 4.981%, 3/01/06	5,000,000	4

18

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

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

	PRINCIPAL AMOUNT*	

LONG TERM INVESTMENTS (CONT.)		
a SENIOR FLOATING RATE INTERESTS (CONT.)		
Wireless Communications (cont.)		
Nextel Communications Inc.,		
Term Loan A, 4.07 - 4.188%, 12/31/07	\$ 7,968,750	\$ 6
Term Loan B, 5.563%, 1/29/08	11,750,000	10
Term Loan C, 5.688%, 7/29/08	16,750,000	14
Term Loan D, 5.083%, 3/31/09	33,000,000	28
Nextel Operations Inc.,		
Leveraged Lease I, 7.375%, 3/15/05	3,696,756	3
Leveraged Lease II, 5.25%, 2/08/07	12,817,691	12
Nextel Partners Inc., Term Loan C, 6.36%, 7/29/08	18,000,000	16
Rural Cellular Corp.,		
Term Loan B, 5.48%, 10/03/08	5,988,093	5
Term Loan C, 5.73%, 4/03/09	5,988,093	5
Satelites Mexicanos, Term Loan C, 144A, 6.33%, 6/30/04	5,528,000	4
Spectrasite Communications Inc., Term Loan B, 5.85 - 6.17%, 2/22/07	12,000,000	10
Sygnel Wireless Inc., Term Loan C, 5.62%, 12/23/07	1,666,361	1
Telecorp PCS Inc., Term Loan B, 4.91%, 11/17/08	5,000,000	4
c Teligent Inc.,		
Conversion Term Loan, 9.50%, 6/30/06	22,575,000	
Multi-Draw Term Loan, 9.50 - 9.865%, 6/30/06	21,125,000	
Tritel Holding Corp., Term Loan B, 6.36%, 12/31/07	5,000,000	5

		237

TOTAL SENIOR FLOATING RATE INTERESTS (\$2,441,257,180)		2,119

19

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

	PRINCIPAL AMOUNT*

LONG TERM INVESTMENTS (CONT.)	
Common Stocks & Warrants .9%	
Auto Parts: O.E.M.	
Exide Technologies., wts., 3/18/06	74,278

Environmental Services	

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

Environmental Systems Products Holdings Inc.	49,939	
Medical/Nursing Services .8%		
Genesis Health Ventures Inc.	1,187,626	19
Movies/Entertainment .1%		
United Artist Theaters	220,857	1
Packaged Software		
d Rivus Internet Group Inc.	72,960	
TOTAL COMMON STOCKS & WARRANTS (COST \$29,171,810)		20
Preferred Stocks		
Advertising/Marketing Services		
Dimac Holdings, 20% PIK pfd.	1,265,651	
Environmental Services		
Environmental Systems Products Holdings Inc., pfd.	8,032	
TOTAL PREFERRED STOCKS (COST \$356,100)		
Convertible Preferred Stocks .1%		
Medical/Nursing Services		
Genesis Health Ventures Inc., 6.00%, cvt. pfd.	12,576	1
TOTAL CONVERTIBLE PREFERRED STOCKS (COST \$1,232,448)		1
TOTAL LONG TERM INVESTMENTS (COST \$2,472,017,538)		2,142
Short Term Investments 5.8%		
b Franklin Institutional Fiduciary Trust Money Market Portfolio (COST \$126,326,310)		126
TOTAL INVESTMENTS (COST \$2,598,343,848) 103.8%		2,268
OTHER ASSETS, LESS LIABILITIES (3.8)%		(82)
NET ASSETS 100.0%		\$2,185

CURRENCY ABBREVIATIONS:

GBP - British Pounds

- * The principal amount is stated in U.S. Dollars unless otherwise indicated.
- a Senior secured corporate loans in the Fund's portfolio generally have variable rates which adjust to a base, such as the London Inter-Bank Rate (LIBOR), on the set dates, typically every 30 days but not greater than one year; and/or have interest rates that float at a margin above a widely recognized base lending rate such as the Prime Rate of a designated U.S. bank.
- b The Franklin Institutional Fiduciary Trust Money Market Portfolio (The "Sweep Money Fund") is managed by Franklin Advisers, Inc.
- c See Note 6 regarding defaulted securities.
- d See Note 7 regarding restricted securities.

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

FRANKLIN FLOATING RATE TRUST
Financial Statements

STATEMENT OF ASSETS AND LIABILITIES
JANUARY 31, 2002 (UNAUDITED)

Assets:

Investments in securities:

Cost	\$2,598
Value	2,268
Cash	5
Receivables:	
Investment securities sold	38
Capital shares sold	1
Interest	7
Organization costs	
Other assets	
Total assets	2,321

Liabilities:

Payables:

Investment securities purchased	9
Affiliates	2
Shareholders	4
Distributions to shareholders	4
Unfunded loan commitments	114
Other liabilities	
Total liabilities	136

Net assets, at value \$2,185

Net assets consist of:

Undistributed net investment income	(1)
Net unrealized depreciation	(329)
Accumulated net realized loss	(1)
Capital shares	2,518
Net assets, at value	\$2,185

Net asset value and maximum offering price per share
(\$2,185,552,835 / 246,966,138 shares outstanding) a \$

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

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

FRANKLIN FLOATING RATE TRUST
Financial Statements (CONTINUED)

STATEMENT OF OPERATIONS
FOR THE PERIOD ENDED JANUARY 31, 2002 (UNAUDITED)

Investment income:	
Dividends	\$ 1
Interest	108

Total investment income	109

Expenses:	
Management fees (Note 3)	9
Administrative fees (Note 3)	1
Transfer agent fees (Note 3)	5
Custodian fees	
Reports to shareholders	
Registration and filing fees	
Professional fees	
Trustees' fees and expenses	
Amortization of organization costs	
Other	

Total expenses	17
Interest expense and commitment fees (Note 1)	

Net expenses	17

Net investment income	91
	=====
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments	11
Foreign currency transactions	

Net realized gain	11
Net unrealized appreciation (depreciation) on:	
Investments	(130)
Translation of assets and liabilities denominated in foreign currencies	

Net unrealized depreciation	(130)

Net realized and unrealized loss	(118)

Net decrease in net assets resulting from operations	\$ (26)
	=====

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

FRANKLIN FLOATING RATE TRUST
Financial Statements (CONTINUED)

STATEMENTS OF CHANGES IN NET ASSETS
FOR THE SIX MONTHS ENDED JANUARY 31, 2002 (UNAUDITED)
AND THE YEAR ENDED JULY 31, 2001

	SIX MONTHS ENDED JANUARY 31, 2002		J

Increase (decrease) in net assets:			
Operations:			
Net investment income	\$ 91,901,048		\$ 2
Net realized gain (loss) from investments and foreign currency transactions	11,351,180		(
Net unrealized depreciation on investments and translation of assets and liabilities denominated in foreign currencies	(130,125,800)		(1

Net increase (decrease) in net assets resulting from operations	(26,873,572)		
Distributions to shareholders from net investment income	(92,125,216)		(2
Capital share transactions (Note 2)	(527,636,037)		4

Net increase (decrease) in net assets	(646,634,825)		2
Net assets:			
Beginning of period	2,832,187,660		2,5
	=====		
End of period	\$2,185,552,835		\$2,8
	=====		
Undistributed net investment income included in net assets:			
End of period	\$ (1,580,403)		\$
	=====		

See notes to financial statements.

23

FRANKLIN FLOATING RATE TRUST
Notes to Financial Statements (unaudited)

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

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

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

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 securities and income items denominated in foreign currencies are translated into U.S. dollars at the exchange rate in effect on the transaction date.

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

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

C. INCOME TAXES:

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

D. SECURITY TRANSACTIONS, INVESTMENT INCOME, EXPENSES AND DISTRIBUTIONS:

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

E. ORGANIZATION COSTS:

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

24

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

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT.)

F. ACCOUNTING ESTIMATES:

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

G. LINE OF CREDIT:

During the period ended January 31, 2002, the Fund borrowed \$100 million under various credit facilities and paid \$122,757 in interest and commitment fee expenses.

On December 21, 2001, the Fund terminated all existing credit facilities and entered into, along with certain other Franklin Templeton Funds, a \$200 million senior unsecured credit facility for the purpose of funding shareholder redemptions. The termination date of this agreement is December 20, 2002. Interest expense is calculated on the Fund's borrowings at market rates. Commitment fees are allocated amongst the participating funds based on the relative proportion of net assets of each fund and are accrued at a rate of .09% per year. At January 31, 2002, the Fund had not utilized this credit facility.

H. AUDIT GUIDE:

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

The effect of this change for the period ended January 31, 2002 was to decrease net investment income by \$59,746, increase unrealized gains by \$34,033, and increase realized gains by \$25,724. The statement of changes in net assets and the financial highlights for prior periods have not been restated to reflect this change in accounting policy.

2. SHARES OF BENEFICIAL INTEREST

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

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

FRANKLIN FLOATING RATE TRUST

Notes to Financial Statements (unaudited) (CONTINUED)

2. SHARES OF BENEFICIAL INTEREST (CONT.)

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

	PERIOD ENDED JANUARY 31, 2002		YEAR ENDED JULY 31, 2001	
	SHARES	AMOUNT	SHARES	AMOUNT
Shares sold	16,520,350	\$ 149,078,831	135,483,175	\$ 135,483,175
Shares issued in reinvestment of distributions .	6,625,895	59,201,766	19,247,577	19,247,577
Shares redeemed	(82,739,020)	(735,916,634)	(106,217,953)	(1,062,217,953)
Net increase (decrease)	(59,592,775)	\$ (527,636,037)	48,512,799	\$ 48,512,799

3. TRANSACTIONS WITH AFFILIATES

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

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

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

Distributors received contingent deferred sales charges for the period of \$864,712.

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

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

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

4. INCOME TAXES

At January 31, 2002, the unrealized depreciation based on the cost of

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

investments for income tax purposes of \$2,601,169,950 was as follows:

Unrealized appreciation	\$ 25,897,647
Unrealized depreciation	(358,717,100)

Net unrealized depreciation	\$ (332,819,453)
	=====

26

FRANKLIN FLOATING RATE TRUST

Notes to Financial Statements (unaudited) (CONTINUED)

4. INCOME TAXES (CONT.)

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

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

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

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

5. INVESTMENT TRANSACTIONS

Purchases and sales of securities (excluding short-term securities) for the period ended January 31, 2002 aggregated \$702,869,234 and \$1,185,559,917, respectively.

6. CREDIT RISK AND DEFAULTED SECURITIES

The Fund has 6.05% of its portfolio invested in below investment grade and comparable quality unrated high yield securities, which tend to be more sensitive to economic conditions rather than higher rated securities. At January 31, 2002, the Fund held defaulted securities with a value aggregating \$189,145,791 representing 8.65% of the Fund's net assets. For information as to specific securities, see the accompanying Statement of Investments.

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

7. RESTRICTED SECURITIES

The fund may purchase securities through a private offering that generally

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

cannot be resold to the public without prior registration under the Securities Act of 1933. The costs of registering such securities are paid by the issuer. At January 31, 2002, the Fund held one restricted security as follows:

SHARES	ISSUER	ACQUISITION		
		DATE	COST	VALUE
72,960	Rivus Internet Group Inc.	5/10/00	\$18,240	\$--

27

This page intentionally left blank.