FRANKLIN TEMPLETON
INVESTMENTS

Annual Report
and Audited
Financial Statements
for the year ended
July 31, 2017

Franklin Floating Rate Fund PLC

Contents

General Information

Board of Directors
Hans Wisser (German)
Francis Ennis* (Irish)
Gregory E. McGowan (U.S.)
David McGeough* (Irish)
Ken Lewis (U.S.)
(Alternate to Gregory E. McGowan)

* Independent Directors.
All Directors are non-executive.

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8A, rue Albert Borschette
L-1246
Luxembourg

Administrator / Secretary
J.P. Morgan Administration Services (Ireland) Limited
JPMorgan House
International Financial Services Centre
Dublin 1
Ireland

Legal Advisors
Matheson
70 Sir John Rogerson's Quay
Dublin 2
Ireland

Independent Auditors
PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
One Spencer Dock
North Wall Quay
Dublin 1
Ireland

Depositary
J.P. Morgan Bank (Ireland) plc
JPMorgan House
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Sponsoring Broker
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Alternative Investment Fund Manager
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Registered Number
316174

Investment Manager's Report

Franklin Floating Rate Fund Plc (the "Company")

This commentary reflects the position of the Franklin Floating Rate Master Trust (the "Master Trust"), as this is the sole investment of the Company.

Syndicated Bank Loan Market Overview

Loan prices moved higher and spreads tightened further as net new supply remained slow to meet demand from market participants who received an influx of cash from retail investors and existing loans paying down. Inflows into loan mutual funds accelerated following the US presidential election, further increases in LIBOR, and the decision by the Federal Reserve to increase its benchmark rate three times in the period under review. Issuance of collateralized-loan-obligations compounded this increase in demand, leading to strong demand for loans trading at steep discounts to par and those with relatively lower ratings.

Following the US presidential election, US Treasury yields increased significantly after some investors adjusted their expectations for expansionary fiscal policy, which resulted in increased interest in the asset class. Furthermore, the Fed's rate hikes during the period, as well as expectations of further rate hikes in 2017, led investors to search for a possible hedge against further increases in interest rates and shorter duration investments. LIBOR also continued to move higher and the rate ended the period higher than the average floor in the market, leading to a large portion of the market being based on a floating rate rather than a fixed floor. Toward the end of the period as US Treasury yields declined and the yield curve flattened, demand for loans moderated.

As risk retention rules were scheduled to take effect toward the end of 2016, CLO issuance increased as managers attempted to launch deals prior to the regulations becoming effective. Spreads among the highest rated tranches also tightened significantly, which allowed managers to lower liability costs by refinancing CLO vehicles. The lower spreads on liability tranches helped to mitigate the challenging arbitrage due to robust repricing activity in the loan market. Despite the increase in issuance, technical conditions for the CLO market remained strong as many investors found highly rated tranches attractive compared to other structured vehicles.

Institutional issuance increased during the period, but a large portion of transactions included repricing deals (refinancing transactions that cut spreads). While repricing transactions eventually slowed down, the meaningful imbalance between supply and demand allowed issuers to reduce coupons by a meaningful amount. Within the net new issuance that did come to the market, a disproportionate amount was rated B, increasing the weighting in the index. In addition to the low net new supply, repayment activity increased during the period and included issuers that paid down loans through the issuance of high yield bonds.

The default rate declined during the period, as defaults from the prior year rolled off the calculation. The increase in refinancing and demand also helped to push impending maturities to later years. However, after the increase in commodity-related defaults from the previous year subsided, investor focus shifted to heightened stress within the retail space. The retail sector was the weakest performer during the period amid concerns across brick-and-mortar stores and as more names within the industry traded to distressed levels.

Investment Strategy

Retail flows have decelerated as interest rate fears have subsided. Despite the moderation in demand from retail investors, new supply remains relatively scarce and CLO demand has helped to support loan prices. Successive waves of repricing transactions have tightened pricing in the loan market and limited higher income generation despite increases in LIBOR. Furthermore, the prospect for further repricing deals in upcoming months remains high, which we believe could possibly further deteriorate credit conditions. We have maintained our overweight in loans rated in the upper tier, including shorter tenor and non-institutional tranches, which we believe could protect against these conditions and potential future volatility in the market.

Manager's Discussion

During the period under review, the Master Trust returned 5.99%, underperforming its benchmark, the CS Leveraged Loan Index (CSLLI), which returned 6.83%. In the first half of the period, our

Investment Manager's Report (continued)

selection in loans in the metals/minerals sector within the middle and lower tiers contributed to performance relative to the index. These loans had traded at significant discounts to par, but appreciated due to the strong technical environment and heightened expectations for commodity related issuers. However, in the second half of the period, our overweight in the upper tier of the index detracted from relative performance as lower tier and middle tier loans outperformed loans with relatively higher credit ratings. For the entire one-year period, the top contributors included a coal producing issuer that contributed to relative performance as the price of metallurgical coal improved and the company worked towards reaching an agreement for its reorganization plan. Another issuer, a manufacturer and provider of sealing products, contributed to performance as an increase in oil prices heightened expectations of additional orders from customers in the oil and gas sector. A top detractor from performance included a specialty retailer with multiple core brands, which declined after reporting weaker operating results from softer same store sales and lower store traffic. The term loan of a radio broadcaster declined after the company reported disappointing results as radio markets remained weak and margins shrank due to higher expenses.

Purchases during the period focused on higher rated loans with relatively shorter years to maturity, which we believe would fare relatively better amid a period of increased credit risk as they would be closer to refinancing or repayment. Our weighting in the upper tier increased, while our weightings in the middle and lower tiers declined. Our largest sells included names that we believed had posed elevated credit risk, while we also opted to not participate in a handful of refinancing deals that extended maturities or tightened spreads to levels where we believed we were not being adequately compensated for the risk. The Fund also bought protection in HYCDX, an index of high yield bond credit default swaps providing synthetic exposure to the high yield bond market, to protect against potential volatility in the credit markets.

Franklin Advisers, Inc.
Investment Manager

August, 2017

Report From The Alternative Investment Fund Manager

The Conducting Officers of Franklin Templeton International Services S.à r.l. ("FTIS S.à r.l.") acting as Alternative Investment Fund Manager ("AIFM") to Franklin Floating Rate Fund plc (the "Company") submits the following report for the financial year ended July 31, 2017.

Risk and Leverage

The purpose of this section is to provide supplemental information to shareholders in the context of the Alternative Investment Fund Managers Directive ("AIFMD") and should be considered in conjunction with the risk management information provided in section 8 this Annual Report in line with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

Risk profile / Risk management systems

The purpose of this section is to provide information about risk management systems employed by the Company and the sensitivity of the Company to certain risks.

It needs to be highlighted that the responsibility of the AIFM risk management framework is limited to the Company and does not extend to Franklin Floating Rate Master Trust (the "Master Trust"). Given the fact that the only investment held by the Company at the time of this report are shares of the Master Trust, risks linked to the Master Trust are considered as part of the work performed as and when required to derive meaningful results.

The AIFM of the Company has established a permanent risk management function to ensure that effective risk management policies and procedures are in place and to monitor the risks and compliance with risk limits. The AIFM has a risk management process document filed with the regulator of the AIFM and risk management policies which cover the risks associated with the Company. The adequacy and effectiveness of this framework is reviewed and approved at least annually. Regular reporting is prepared and reviewed by the AIFM's Senior Management and the Board of the Company is informed regularly about the risk profile and the risk measures monitored.

For each relevant risk area, risk factors are monitored which take into account the objectives, strategy and risk profile of the Company. As most appropriate such factors may be quantitative and qualitative nature and based on prospectus and regulatory requirements as well as internal considerations. The sensitivity of the portfolio to key risks is tested periodically, as appropriate, to ascertain the impact of changes in key variables to the Company. Exceptions from risk monitoring and stress testing would be reported to the Board of the Company immediately along with remedial measures being taken.

As stated in section 8 market price risk mainly driven by the potential losses which could arise from price movements of the investment in the Master Trust. Amongst other measures regularly considered by the Investment Manager, the AIFM is assessing and monitoring market risk sensitivity through relative Value at Risk (VaR) calculated using the Monte Carlo approach. Value at Risk (VaR) is a statistical risk measure that estimates the potential portfolio loss from adverse market moves in an ordinary market environment. VaR analysis reflects the interdependencies between risk variables, unlike a traditional sensitivity analysis. VaR can be defined as the predicted loss a portfolio can experience at a specified confidence level (e.g. 99%) over a given period of time (e.g. 20 business days).

The VaR calculations are based on a confidence level of 99% with a holding period of not greater than 1 month (20 business days) and a historical observation period of not less than 1 year (250 business days). A 99% 1 month VaR means that the expectation is that 99% of the time over a 1 month period the Company will lose less than this number in percentage terms. Therefore, higher VaR numbers indicate higher risk. The AIFM uses the relative VaR methodology which is the absolute VaR of the portfolio divided by the absolute VaR of the benchmark. The benchmark that is used is the one that is most representative of the Company's strategy and likely risk exposures.

It is noted that the use of this VaR methodology, as with any other statistical risk measure, has limitations. There is some probability that the loss could be greater than the VaR amounts and therefore the AIFM can neither guarantee that losses will not exceed the VaR indicated, nor that losses in excess of the VaR amounts will not occur more frequently.

Report From The Alternative Investment Fund Manager (continued)

Credit risk is mitigated by the AIFM through regular reviews concerning the Depositary of the Company as well as the ongoing review and regular assessment of counterparties approved for trading including monitoring of the corresponding exposure limits.

No risk limits have been exceeded or were likely to be exceeded in the period to July 31, 2017.

Liquidity Risk

The AIFM employs a liquidity risk management framework assessing on a regular basis the liquidity risk arising from the assets held by the Company and the liabilities of the Company to ensure that shareholder redemptions can be met as described in the Company's prospectus.

The shares of the Master Trust, the sole investment of the Company, are redeemable daily. The primary liquidity risk oversight performed by the AIFM includes a review of daily shareholder transaction activity alongside a review of the liquidity of the Master Trust to monitor and mitigate any potential mismatch, regular monitoring for potential overdrafts and a review of the shareholder concentration within the Company.

As at July 31, 2017, the Company did not hold any assets subject to special arrangements arising from their illiquid nature. There were no new arrangements for managing the liquidity/liquidity risk of the Company during the year ending July 31, 2017.

Leverage under AIFMD considerations

The leverage definition under AIFMD is wider than the traditional gearing. In accordance with the EU Commission Delegated Regulation (EU) No 231/13 (the "AIFM Regulation") leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a percentage of Company's exposure to its net asset value and is calculated on both a gross and commitment method.

Under the gross method, exposure represents the sum of the Company's positions (including all holdings like shares in the Master Trust) after deduction of cash balances and cash equivalents, without taking account of any hedging or netting arrangements. Under the commitment method, exposure is calculated without the deduction of cash balances and cash equivalents and after certain hedging and netting positions are offset against each other if applicable.

The Company does not use any derivative instruments other than the forward foreign currency contracts strictly limited to the hedged currency share classes offered in line with the prospectus.

The maximum level of leverage the AIFM is entitled to employ for AIFMD monitoring and reporting purposes are the statutory limits set in the Company's prospectus and the applicable regulation for the hedged currency share classes.

This leverage amount permitted for share class hedging is 105% which, considering the opportunity to borrow up to 25% and 100% of long assets held in the portfolio, relates to a ratio of 2.3 (or 230%) under the AIFMD gross method. Under the commitment method the use of leverage derived from financial derivatives is limited to 100% incremental exposure which, considering the 100% long assets held in the portfolio, relates to a ratio of 2.0 (200%).

The actual level of leverage recorded under the requirements of AIFMD for July 31, 2017 is 1.00 (or 100%) using the "commitment" method and 1.03 (or 102.6%) under the "gross" method.

There was no change to the level of leverage limit applied for AIFMD monitoring and reporting purposes since August 1, 2016.

It should be noted that the above approach does not take leverage that might potentially be applied at the level of the Master Trust into consideration.

Report From The Alternative Investment Fund Manager (continued)

Remuneration

FTIS S.à r.l., as AIFM, has a remuneration policy in place which applies to all Alternative Investment Funds under its management.

Quantitative information relevant to the Company is outlined below. Further qualitative details are available upon request at the registered office of the AIFM.

Total amount of fixed remuneration for the year ended September 30, 2016 paid by the AIFM to its staff*	EUR 119,669
Total amount of variable remuneration for the year ended September 30, 2016 paid by the AIFM to its staff*	EUR 29,153
Number of AIFM staff as at September 30, 2016*	110
Total amount of compensation paid by the AIFM to Senior Managers during the year ended September 30, 2016*	EUR 47,441
Total amount paid by the AIFM to other members of staff who have a material impact on the risk profile of FFRF during the year ended September 30, 2016*	EUR NIL

*The total amount of compensation paid by the AIFM has been allocated to each AIF it manages based on their pro rata share of the average month end total net assets of the AIFM for the year ended September 30, 2016, which is the year end of the AIFM.

Franklin Templeton International Services S.à r.l.
Alternative Investment Fund Manager

August, 2017

DIRECTORS' REPORT

The Directors submit their annual report together with the audited financial statements for the Franklin Floating Rate Fund plc (the "Company") for the year ended July 31, 2017.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable Irish Law and International Financial Reporting Standards ("IFRS") as adopted by the European Union and in compliance with the Irish Companies Act 2014.

Irish Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the assets, liabilities and financial position of the Company as at the end of the financial year and of the profit or loss of the Company for that year. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently.
- make judgments and estimates that are reasonable and prudent.
- state whether the financial statements have been prepared in accordance with applicable accounting standards, identify these standards, note the effect and reasons for any material departure from these standards.
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- provide all data to auditors as required under the Companies Act 2014.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable those financial statements to be audited. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The assets of the Company have been entrusted to the Depositary for safekeeping. The Depositary is J.P. Morgan Bank (Ireland) plc.

Accounting records

The measures taken by the Directors to secure compliance with the Company's obligations to keep adequate accounting records are the use of appropriate systems and procedures and the appointment of reputable service providers. J.P. Morgan Administration Services (Ireland) Limited were appointed as Administrator on July 31, 2009. Accordingly, the accounting records are kept at JPMorgan House, International Financial Services Centre, Dublin 1, Ireland.

Business review and future developments

The Company is organised as an investment fund with variable capital under the laws of Ireland as a public limited company pursuant to the Irish Companies Act 2014. There was no change in the nature of the Company's business during the year.

The Company's investment objective is to provide a high level of current income and preservation of capital by investing up to 100% of its net assets in shares of the Franklin Floating Rate Master Series (the "Common Shares") in the Franklin Floating Rate Master Trust (the "Master Trust").

The Company will continue to pursue its investment objectives as set out in the prospectus.

The Net Asset Value per share changed in the year as follows:

Share Class	NAV per share July 31, 2017	NAV per share July 31, 2016	Increase
A (acc) share	USD 14.87	USD 14.03	5.96%
A (dis) share	USD 8.67	USD 8.46	2.51%

Directors' Report (continued)

Share Class	NAV per share July 31, 2017	NAV per share July 31, 2016	Increase
B share*	USD 8.66	USD 8.45	2.53%
N (acc) share	USD 13.54	USD 12.87	5.18%
N (dis) share	USD 8.82	USD 8.60	2.51%
C (acc) share**	USD 10.02	–	0.22%
C (dis) share***	USD 8.67	USD 8.45	2.57%
AX share	USD 8.66	USD 8.44	2.57%
Z (acc) share	USD 13.55	USD 12.75	6.25%
Z (dis) share	USD 9.87	USD 9.62	2.65%
A (dis) SGD-H1 share	SGD 9.94	SGD 9.77	1.71%
A (dis) EUR-H1 share	EUR 9.62	EUR 9.54	0.87%
A (dis) RMB-H1 share	RMB 108.18	RMB 102.28	5.76%

* The Company discontinued the sale of Class B shares with effect from April 1, 2016.

** Class C (acc) shares launched on June 13, 2017. Increase represents the change in Net Asset Value per share since launch on June 13, 2017 with Net Asset Value per share of USD 10.00.

***Existing Class C shares were renamed Class C (dis) shares with effect from June 13, 2017.

Assets under management increased from USD 1,363,639,395 to USD 2,095,520,489 during the year.

Results and dividends
The results for the year are stated on page 18 of the financial statements. The Directors proposed and paid total distributions of USD 23,367,281 (2016: USD 30,223,404) during the year.

Risk management objectives and policies
The main risks arising from the Company's financial instruments are market price, interest rate, foreign currency, liquidity and credit risks.

The Investment Manager may use derivative instruments for investment purposes and efficient portfolio management to attempt to manage the risk of the Company's investments.

For further information on risk management objectives and policies, please see note 8 on pages 30 and 31.

Corporate Governance Statement
The statement of corporate governance is detailed in the Directors' Disclosure on Corporate Governance on pages 8 to 9.

Significant events during the year
On June 13, 2017, the existing Class C shares were renamed Class C (dis) shares and Class C (acc) shares were launched on the same date.

Directors
The names of the Directors are set out on page 1. They served for the entire year, unless otherwise stated.

Directors' and Secretary's interests
The Directors and Secretary and their respective families had no interest in the share capital of the Company at July 31, 2017 (2016: Nil). None of the Directors had any material interests in any contracts of significance, either during the year or at the year end (2016: None), in relation to the business of the Company.

Significant events since the year end
There have been no significant events since the year end.

Directors' Report (continued)

Connected Parties Compliance Statement

The Central Bank of Ireland AIF Rulebook section on 'Dealings by management company, depositary, AIFM, investment manager or by delegates or group companies of these' states that any transaction carried out with the Company by a management company, depositary, AIFM, investment manager or by delegates or group companies of these ("connected parties") must be carried out as if negotiated at arm's length. Transactions must be in the best interests of the shareholders.

The Board of Directors is satisfied that there are arrangements (evidenced by written procedures) in place, to ensure that the obligations set out above are applied to all transactions with connected parties; and the Board of Directors is satisfied that transactions with connected parties entered into during the year complied with the obligations set out in this paragraph.

Independent Auditors

PricewaterhouseCoopers, will be re-appointed as auditors in accordance with Section 383(2) of the Irish Companies Act 2014.

Statement on relevant audit information

So far as the Directors are aware, there is no relevant audit information of which the Company's statutory auditors are unaware. The Directors have taken all steps, which ought to have been taken by the Directors, in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The financial statements of the Master Trust for the year ended July 31, 2017 are attached in Appendix A. The Master Trust financial statements do not form part of these financial statements.

On Behalf of the Board of Directors

Director

Director

Date: November 9, 2017

Directors' Disclosure on Corporate Governance

Statement of Corporate Governance

(a) General Requirements

Franklin Floating Rate Fund plc (the "Company") is subject to the requirements of the Irish Companies Act 2014 and the European Union Alternative Investment Fund Manager ("AIFM") Regulations 2013. Although there is no statutory corporate governance code applicable to Irish collective investment schemes whose shares are admitted to trading on the Irish Stock Exchange ("ISE"), in December 2012 the Board of Directors (the "Board") adopted and have applied the provisions of the Irish Funds Industry Association corporate governance code.

The Company is also subject to corporate governance practices imposed by:

(i) the Irish Companies Act 2014 which can be obtained from the Irish statute book website at http://www.irishstatutebook.ie and are available for inspection at the registered office of the Company;

(ii) the Articles of Association of the Company (the "Articles") which are available for inspection at the registered office of the Company and may be obtained at the registered office of the Administrator or at the Companies Registration Office in Ireland;

(iii) the AIF Rulebook which can be obtained from the Central Bank of Ireland's website at http://www.centralbank.ie; and

(iv) the ISE through the ISE Code of Listing Requirements and Procedures which can be obtained from the ISE's website at: http://www.ise.ie.

(b) Board of Directors

In accordance with the Irish Companies Act 2014 and the Articles, unless otherwise determined by an ordinary resolution of the Company in a general meeting, the number of Directors shall not be less than two or more than twelve. The Board currently comprises of four Directors, two of whom are independent and all are non-executive board members. Details of the Directors are set out in the "Directors" section of the prospectus.

The Board meets on at least a quarterly basis to fulfil its responsibilities. However, additional meetings may be convened as required and the Board may meet more frequently in general sessions of the Board to discuss matters of general importance to the Company.

The Board has delegated management of the Company to certain delegate service providers. These details are set out in the "Management and Administration" section of the prospectus.

Board materials, including a detailed agenda of items for consideration at each Board meeting, minutes of the previous meeting and reports from various internal and external stakeholders, including delegate service providers, are generally circulated in advance of the meeting to allow all Directors adequate time to consider the material.

The quorum necessary for the transaction of business at a meeting of Directors may be fixed by the Directors and unless so fixed at any other number shall be two. Directors generally attend all Board meetings.

The Board has not directly established any committees to whom business is delegated. The Board has regular direct contact with the delegate service providers and thus delegated responsibilities to committees are not deemed necessary.

(c) Internal Control and Risk Management Systems in Relation to Financial Reporting

The Board is responsible for establishing and maintaining adequate internal control and risk management systems of the Company in relation to the financial reporting process. The Board have entrusted the administration of the accounting records to the Administrator. The Board through delegation to the Administrator, has put in place a formal procedure to ensure that relevant accounting records for the Company are properly maintained and are readily available, and includes the procedure for the production of audited annual financial statements and semi-annual financial statements for the Company. The annual and semi-annual financial statements of the Company are prepared by the Administrator and presented to the Board of Directors for approval, prior to applicable filing such as with the Central Bank of Ireland or the ISE.

Directors' Disclosure on Corporate Governance (continued)

The Board has appointed an independent external audit firm to audit the financial statements in accordance with the Irish Companies Act 2014. The auditor's report to shareholders, including any qualifications, is reproduced in full in the annual report.

(d) Shareholder Meetings

Subject to the provisions of the Irish Companies Act 2014 allowing a General Meeting to be called at short notice, an Annual General Meeting and an Extraordinary General Meeting called for the passing of a Special Resolution shall be called by at least twenty-one clear days' notice and all other Extraordinary General Meetings shall be called by at least fourteen clear days' notice.

At any General Meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless before or upon the declaration of the result of the show of hands a poll is demanded by the Chairman or by at least five shareholders present or any shareholders present representing at least one tenth of the Shares in issue having the right to vote at the meeting.

Unless a poll is so demanded, a declaration by the Chairman that a resolution has been carried, or carried unanimously, or by a particular majority, or lost, or not carried by a particular majority, and an entry to that effect in the book containing the minutes of the proceedings of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.

Report of the Depositary to the Shareholders

We have enquired into the conduct of Franklin Floating Rate Fund plc (the "AIF") and Franklin Templeton International Services S.à r.l. as the authorised alternative investment fund manager (the "AIFM") for the year ended July 31, 2017 in our capacity as Depositary of the AIF.

This report, including the opinion, has been prepared for and solely for the shareholders in the AIF as a body and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown.

Responsibilities of the Depositary

Our duties and responsibilities are outlined in the AIF's constitutional document and the investment fund legislation (as defined in the Central Bank of Ireland's ("CBI") AIF Rulebook). One of those duties is to enquire into the conduct of the AIF and the AIFM in respect of the AIF in each annual accounting period and report thereon to the shareholders.

Our report shall state whether, in our opinion, the AIF has been managed in that period, in accordance with the limitations imposed on the investment and borrowing powers of the AIFM by the constitutional document and by the CBI under the powers granted to the CBI by the investment fund legislation. It is the overall responsibility of the AIFM to comply with these provisions. If the AIFM has not so complied, we as Depositary must state why this is the case and outline the steps which we have taken to rectify the situation.

Basis of Depositary Opinion

The Depositary conducts such reviews as it, in its reasonable opinion, considers necessary in order to comply with its duties as outlined in the AIF constitutional document and the investment fund legislation, and to ensure that, in all material respects, the AIF has been managed:

(i) in accordance with the limitations imposed on the investment and borrowing powers of the AIF by the constitutional document and by the CBI under the powers granted to the CBI by the investment fund legislation; and

(ii) otherwise in accordance with the provision of the constitutional document and the investment fund legislation.

Opinion

In our opinion, the AIF has been managed during the period, in all material respects:

(i) in accordance with the limitations imposed on the investment and borrowing powers of the AIF by the constitutional document and by the CBI under the powers granted to it by the investment fund legislation; and

(ii) otherwise in accordance with the provisions of the constitutional document and the investment fund legislation.

For and on behalf of
J.P. Morgan Bank (Ireland) Plc
JPMorgan House
International Financial Services Centre
Dublin 1 Ireland

Date: November 9, 2017

Independent Auditors' Report to the Members of Franklin Floating Rate Fund Plc

Report on the audit of the financial statements

Opinion

In our opinion, the Franklin Floating Rate Fund Plc (the "Company") financial statements:

- give a true and fair view of the Company's assets, liabilities and financial position as at 31 July 2017 and of its results and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Companies Act 2014.

We have audited the financial statements, included within the Annual Report and Audited Financial Statements, which comprise:

- the Statement of Financial Position as at 31 July 2017;
- the Statement of Comprehensive Income for the year then ended;
- the Statement of Cash Flows for the year then ended;
- the Statement of Changes in Net assets Attributable to holders of Redeemable Shares for the year then ended;
- the Portfolio of Investments as at 31 July 2017; and
- the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Directors.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) ("ISAs (Ireland)") and applicable law.

Our responsibilities under ISAs (Ireland) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, which includes IAASA's Ethical Standard as applicable to listed public interest entities and we have fulfilled our other ethical responsibilities in accordance with these requirements.

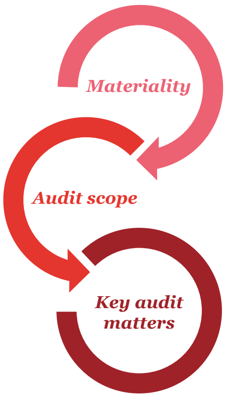
To the best of our knowledge and belief, we declare that non-audit services prohibited by IAASA's Ethical Standard were not provided to the Company.

We have provided no non-audit services to the Company in the period from 1 August 2016 to 31 July 2017.

Independent Auditors' Report to the Members of Franklin Floating Rate Fund Plc (continued)

Our audit approach

Overview



Materiality

- Overall materiality: 50 basis points of the Net Assets Value ("NAV") at 31 July 2017.

Audit scope

- The Company is an open ended investment company with variable capital and engages Franklin Advisers, Inc (the "Investment Manager") to manage certain duties and responsibilities with regards to the day-to-day management of the Company. We tailored the scope of our audit taking into account the types of investments within the Company, the involvement of the third parties referred to overleaf, the accounting processes and controls, and the industry in which the Company operates.

Key audit matters

- Valuation and existence of investments

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example the selection of pricing sources to value the investment portfolio. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Valuation and existence of investments	
Refer to Portfolio of Investments and Notes 9 and 12 in the financial statements. The investment portfolio at 31 July 2017 comprised of one underlying fund investment (Franklin Floating Rate Master Trust) with a fair value of USD 2,090,626,000. We focused on the valuation and existence of this investment because it represents the principal element of the net asset value as disclosed in the Statement of Financial Position in the financial statements.	We obtained independent confirmation of the number of units held and net asset value per unit of the investment as at the year end date. We agreed the details confirmed to the valuation of this investment per the accounting records. We also obtained the co-terminous audited financial statements of the underlying fund and performed the following: • we agreed the net asset value per share used in the valuation of the investment to the net asset value per share as included in the audited financial statements; • we read the independent auditors' report included within the audited financial statements to ensure there were no modifications in the report; and • we considered the types of investments held in the underlying fund and noted that they primarily consisted of level 2 investments. No material misstatements were identified.

Independent Auditors' Report to the Members of Franklin Floating Rate Fund Plc (continued)

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which it operates.

The Directors control the affairs of the Company and are responsible for the overall investment policy which is determined by them. The Company engages the Investment Manager to manage certain duties and responsibilities with regards to the day to day management of the Company. The Investment Manager has delegated certain responsibilities to J.P. Morgan Administration Services (Ireland) Limited (the 'Administrator'). The financial statements, which remain the responsibility of the Directors, are prepared on their behalf by the Administrator. The Company has appointed J.P. Morgan Bank (Ireland) Plc (the "Depositary") to act as Depositary of the Company's assets. In establishing the overall approach to our audit we assessed the risk of material misstatement, taking into account the nature, likelihood and potential magnitude of any misstatement. As part of our risk assessment, we considered the Company's interaction with the Administrator, and we assessed the control environment in place at the Administrator.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality as follows:

Overall materiality and how we determined it	50 basis points (2016: 50 basis points) of the Net Asset Value ("NAV") at 31 July 2017.
Rationale for benchmark applied	We have applied this benchmark because the main objective of the Company is to provide investors with a total return, taking account the capital and income returns.

We agreed with the Directors that we would report to them misstatements identified during our audit above 5 basis points (2016: 5 basis points) of Company's NAV, for NAV per share impacting differences, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (Ireland) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report and Audited Financial Statements other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we

Independent Auditors' Report to the Members of Franklin Floating Rate Fund Plc (continued)

identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the Companies Act 2014 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (Ireland) and the Companies Act 2014 require us to also report certain opinions and matters as described below:

Directors' Report

- In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 July 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.
- Based on our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report.

Corporate governance statement

- In our opinion, based on the work undertaken in the course of the audit of the financial statements, the description of the main features of the internal control and risk management systems in relation to the financial reporting process included in the Corporate Governance Statement, is consistent with the financial statements and has been prepared in accordance with section 1373(2)(c) of the Companies Act 2014.
- Based on our knowledge and understanding of the Company and its environment obtained in the course of the audit of the financial statements, we have not identified material misstatements in the description of the main features of the internal control and risk management systems in relation to the financial reporting process included in the Corporate Governance Statement.
- In our opinion, based on the work undertaken during the course of the audit of the financial statements, the information required by section 1373(2)(a),(b),(e) and (f) is contained in the Corporate Governance Statement.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 6 the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view.

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent Auditors' Report to the Members of Franklin Floating Rate Fund Plc (continued)

A further description of our responsibilities for the audit of the financial statements is located on the Irish Auditing and Accounting Supervisory Authority website at: https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f- a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf.

This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with section 391 of the Companies Act 2014 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2014 opinions on other matters

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited.
- The financial statements are in agreement with the accounting records.

Companies Act 2014 exception reporting

Directors' remuneration and transactions

Under the Companies Act 2014 we are required to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by sections 305 to 312 of that Act have not been made. We have no exceptions to report arising from this responsibility.

Appointment

We were appointed by the Directors on the incorporation of the company on 1 December 1999 to audit the financial statements for the year ended 31 July 2000 and subsequent financial periods. The period of total uninterrupted engagement is 18 years, covering the years ended 31 July 2000 to 31 July 2017.

Joanne Kelly
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin

9 November 2017

Portfolio of Investments
as at July 31, 2017

Security name	Holding August 1, 2016	Purchases	Sales	Holding July 31, 2017	Fair Value USD'000	% Net Asset Value
Unit Trust Holdings						
Franklin Floating Rate Master Trust	161,039,051	96,198,198	(16,796,844)	240,440,405	2,090,626	99.77%
Total Unit Trust Holdings					**2,090,626**	**99.77%**

Forward Foreign Currency Contracts*

Maturity Date	Currency	Amount Bought	Currency	Amount Sold	Counterparty	Unrealised Gain USD'000	% Net Asset Value
August 21, 2017	EUR	16,006,695	USD	(18,536,392)	J.P. Morgan	430	0.02%
August 21, 2017	EUR	9,840,133	USD	(11,392,065)	Morgan Stanley	268	0.01%
August 21, 2017	SGD	5,712,764	USD	(4,180,936)	Morgan Stanley	36	0.00%
August 21, 2017	EUR	5,031,271	USD	(5,821,925)	Citibank	140	0.01%
August 21, 2017	SGD	4,751,949	USD	(3,478,606)	J.P. Morgan	29	0.00%
August 21, 2017	EUR	3,637,069	USD	(4,208,555)	UBS	101	0.01%
August 21, 2017	CNH	2,991,203	USD	(442,793)	J.P. Morgan	1	0.00%
August 21, 2017	EUR	2,235,878	USD	(2,588,476)	Bank of America	61	0.00%
August 21, 2017	EUR	832,516	USD	(977,000)	Morgan Stanley	9	0.00%
August 21, 2017	SGD	685,105	USD	(501,572)	Citibank	4	0.00%
August 21, 2017	SGD	671,064	USD	(491,421)	Bank of America	4	0.00%
August 21, 2017	EUR	631,635	USD	(730,257)	HSBC	18	0.00%
August 21, 2017	SGD	599,239	USD	(438,810)	Goldman Sachs	4	0.00%
August 21, 2017	SGD	598,525	USD	(438,374)	UBS	3	0.00%
August 21, 2017	CNH[1]	130,581	USD	(19,321)	Citibank	–	0.00%
August 21, 2017	CNH[1]	123,352	USD	(18,261)	Morgan Stanley	–	0.00%
August 21, 2017	SGD	116,539	USD	(85,314)	HSBC	1	0.00%
August 21, 2017	CNH[1]	67,463	USD	(9,983)	Merrill Lynch	–	0.00%
August 21, 2017	CNH[1]	66,469	USD	(9,835)	UBS	–	0.00%
August 21, 2017	SGD[1]	11,017	USD	(8,061)	BNP Paribas	–	0.00%
						1,109	**0.05%**

*As Forward Foreign Currency Contracts are net settled and rights of offset exist with the counterparties, they are presented on a net basis.
[1]Investments which are less than USD 500 have been rounded down to zero.

Portfolio of Investments (continued)
as at July 31, 2017

Forward Foreign Currency Contracts*

Maturity Date	Currency	Amount Bought	Currency	Amount Sold	Counterparty	Unrealised Loss USD'000	% Net Asset Value
August 21, 2017	USD	1,149,745	EUR	(985,958)	J.P. Morgan	(19)	0.00%
						(19)	**0.00%**

*As Forward Foreign Currency Contracts are net settled and rights of offset exist with the counterparties, they are presented on a net basis.

	Fair Value USD'000	% Net Asset Value
Total financial assets at fair value through profit or loss	**2,091,735**	**99.82%**
Total financial liabilities at fair value through profit or loss	**(19)**	**0.00%**
Other net assets	3,804	0.18%
Net assets attributable to holders of Redeemable Shares	**2,095,520**	**100.00%**

The accompanying notes form an integral part of the financial statements.

Statement of Comprehensive Income
for the year ended July 31, 2017

	Notes	Year ended July 31, 2017 USD'000	Year ended July 31, 2016 USD'000
Income			
Net realised and movement in unrealised gains/(losses) on financial assets at fair value through profit or loss	2	40,047	(59,319)
Investment income	1(f)	66,381	82,816
Total Net income		**106,428**	**23,497**
Operating expenses	3	(14,467)	(13,747)
Operating profit		**91,961**	**9,750**
Finance costs			
Distributions to holders of Redeemable Shares	4	(23,367)	(30,223)
Net gain/(loss) after Distribution and before tax		68,594	(20,473)
Withholding taxes		(181)	(23)
Increase/(decrease) in net assets attributable to holders of Redeemable Shares from operations		**68,413**	**(20,496)**

The net income arose solely from continuing operations. There were no other recognised gains or losses for the year other than as set out in the above statement of comprehensive income.

On Behalf of the Board of Directors

Director

Director

Date: November 9, 2017

The accompanying notes form an integral part of the financial statements.

Statement of Financial Position
as at July 31, 2017

	Notes	As at July 31, 2017 USD'000	As at July 31, 2016 USD'000
Assets			
Financial assets at fair value through profit or loss	1(d)	2,091,735	1,363,965
Amounts receivable from subscription of shares		3,471	4,587
Cash and cash equivalents	1(k)	98	86
Investment income receivable		6,566	5,856
Sale of shares awaiting settlement		–	27,178
Other receivable		–	2
Total Assets		**2,101,870**	**1,401,674**
Current Liabilities			
Financial liabilities at fair value through profit or loss		19	–
Amounts payable for redemption of shares		4,562	36,814
Distribution and shareholder maintenance fees	10	801	572
Administration fees	10	259	140
AIFM fees	10	490	340
Other liabilities		126	120
Legal fees		48	17
Depositary fees	10	45	32
Total Current Liabilities (excluding net assets attributable to holders of Redeemable Shares)		**6,350**	**38,035**
Net assets attributable to holders of Redeemable Shares		**2,095,520**	**1,363,639**
Number of Redeemable Shares	5		
Class A (acc)		55,421,700	33,860,525
Class A (dis)		53,765,683	43,912,362
Class B*		1,004,368	1,677,864
Class N (acc)		18,008,003	12,333,350
Class N (dis)		5,374,457	4,780,458
Class C (acc)**		602,469	–
Class C (dis)***		20,164,006	16,462,704
Class AX		8,326,726	8,089,372
Class Z (acc)		12,683,026	6,750,103
Class Z (dis)		2,478,857	909,831
Class A (dis) SGD-H1		1,391,703	35,839
Class A (dis) EUR-H1		4,005,632	23,553
Class A (dis) RMB-H1		32,680	32,680

The accompanying notes form an integral part of the financial statements.

Statement of Financial Position (continued)
as at July 31, 2017

	Notes	As at July 31, 2017 USD'000	As at July 31, 2016 USD'000
Net Asset Value per Redeemable Shares	5		
Class A (acc)		USD 14.87	USD 14.03
Class A (dis)		USD 8.67	USD 8.46
Class B*		USD 8.66	USD 8.45
Class N (acc)		USD 13.54	USD 12.87
Class N (dis)		USD 8.82	USD 8.60
Class C (acc)**		USD 10.02	-
Class C (dis)***		USD 8.67	USD 8.45
Class AX		USD 8.66	USD 8.44
Class Z (acc)		USD 13.55	USD 12.75
Class Z (dis)		USD 9.87	USD 9.62
Class A (dis) SGD-H1		SGD 9.94	SGD 9.77
Class A (dis) EUR-H1		EUR 9.62	EUR 9.54
Class A (dis) RMB-H1		RMB 108.18	RMB 102.28

* The Company discontinued the sale of Class B shares with effect from April 1, 2016.
** Class C (acc) shares launched on June 13, 2017.
***Existing Class C shares were renamed Class C (dis) shares with effect from June 13, 2017.

On Behalf of the Board of Directors

Director

Director

Date: November 9, 2017

The accompanying notes form an integral part of the financial statements.

Statement of Changes in Net Assets Attributable to Holders of Redeemable Shares

for the year ended July 31, 2017

	Year ended July 31, 2017 USD'000	Year ended July 31, 2016 USD'000
Net assets attributable to holders of Redeemable Shares at start of the year	1,363,639	1,970,161
Share transactions		
Issue of Redeemable Shares	1,379,247	389,178
Redemption of Redeemable Shares	(725,326)	(985,993)
Reinvestments	9,247	11,001
Income equalisation	300	(212)
Net increase/(decrease) from share transactions	663,468	(586,026)
Changes in net assets attributable to holders of Redeemable Shares from operations	68,413	(20,496)
Net assets attributable to holders of Redeemable Shares at end of the year	**2,095,520**	**1,363,639**

The accompanying notes form an integral part of the financial statements.

Statement of Cash Flows
for the year ended July 31, 2017

	Year ended July 31, 2017 USD'000	Year ended July 31, 2016 USD'000
Cash flows from operating activities		
Purchases of financial assets at fair value through profit or loss	(835,952)	(137,335)
Unrealised gains on forward foreign currency contracts	1,090	10
Proceeds from sale of investments	174,336	646,552
Net investment income received	65,671	84,692
Operating expenses paid	(14,098)	(14,295)
Net cash (used in)/provided by operating activities	**(608,953)**	**579,624**
Cash flows from financing activities		
Issue of Redeemable Shares	1,389,910	402,559
Redemption of Redeemable Shares	(757,578)	(951,934)
Distributions paid to holders of Redeemable Shares	(23,367)	(30,223)
Net cash provided by/(used in) financing activities	**608,965**	**(579,598)**
Net increase in cash and cash equivalents	**12**	**26**
Cash and cash equivalents at start of the year	86	60
Cash and cash equivalents at end of the year	**98**	**86**

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended July 31, 2017

Introduction
The Company is an investment company with variable capital incorporated in the Republic of Ireland as a Public Limited Company on December 1, 1999, under the Irish Companies Act 2014. Its Redeemable Shares ("RS") are denominated in US Dollars, other than the Class A (dis) SGD-H1 Shares, the Class A (dis) EUR-H1 Shares and the Class A (dis) RMB-H1 Shares. Since July 17, 2014, the Company is governed by the provisions of the European Union (Alternative Investment Fund Managers Directive) ("AIFMD") Regulations 2013. The A (acc), A (dis), B*, N (acc), N (dis), C (dis)**, AX, Z (acc), Z (dis), A (dis) SGD- H1, A (dis) EUR-H1 and A (dis) RMB-H1 share classes are listed on the Irish Stock Exchange.

The Company's investment objective is to provide a high level of current income and preservation of capital by investing up to 100% of its net assets in shares of the Franklin Floating Rate Master Series (the "Common Shares") in the Franklin Floating Rate Master Trust (the "Master Trust") (see note 12).

1. **Accounting policies**
   The principal accounting policies and estimation techniques applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) **Basis of preparation**

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

The investment in the Master Trust is included in the financial statements as financial assets at fair value through profit or loss. At the year end the Company holds 100% of the issued share capital of the Master Trust (see note 12). The Company has adopted the Investment Entities amendments to IFRS 10, IFRS 12 and IAS 27 which are effective January 1, 2014. The amendments to IFRS 10 define an investment entity and introduce an exemption from the consolidation requirements for investment entities. The Master Trust operates independently of the Company and the Trustees of the Master Trust may only be removed by the Company, in its capacity as shareholder, in certain circumstances which the Directors consider remote. The preparation of the financial statements on this basis has no effect on the net asset value (NAV) per RS or increase in the net assets resulting from operations.

The accounts of the Master Trust for the year ended July 31, 2017 are attached for information from page 39 onwards. The Master Trust financial statements do not form part of these financial statements.

IFRS 9, IFRS 10, IFRS 12, IFRS 15, IAS 1 and IAS 27 Amendments

IFRS 9, "Financial Instruments", issued on 24 July 2014, is the IASB's replacement of IAS 39 "Financial Instruments: Recognition and Measurement". The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The Company has yet to assess IFRS 9's full impact. This amendment will become effective for annual periods beginning on or after 1 January 2018, although early application is permitted.

This is not expected to have a significant effect on the Company's financial assets since they are measured at fair value through profit or loss. The Company does not plan to adopt this standard early.

* The Company discontinued the sale of Class B shares with effect from April 1, 2016.
**Existing Class C shares were renamed Class C (dis) shares with effect from June 13, 2017.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. **Accounting policies** (continued)

(a) **Basis of preparation** (continued)

IFRS 9, IFRS 10, IFRS 12, IFRS 15, IAS 1 and IAS 27 Amendments (continued)

IFRS 15 "Revenue from Contracts with Customers" was issued in May 2014 and will become effective for periods beginning on or after 1 January 2018. The new standard is not expected to have any impact on the Company's financial position, performance or disclosures in its financial statements.

Franklin Floating Rate Fund plc is an investment entity as it satisfies the definition of investment entity as stated below:

Under IFRS 10, an investment entity is an entity that:

- obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services;
- commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- measures and evaluates the performance of substantially all of its investments on a fair value basis.

IFRS 12, 'Disclosure of interests in other entities' has been amended to introduce disclosure requirements for investment entities with controlled subsidiaries.

The intention of the IFRS 12 disclosures is to give relevant information to users to help them understand:

- significant judgments and assumptions made in making the investment entity determination;
- reasons for concluding why management considers the entity to be an investment entity, even if it doesn't have one or more of the typical characteristics; and
- information about unconsolidated subsidiaries and unconsolidated structured entities controlled by the entity.

An investment entity is exempt from providing summarised financial information about its associates and joint ventures when they are accounted for on a fair value basis and where an entity meets the definition of an 'investment entity' it does not consolidate.

The Company has availed of the exemption not to consolidate the Master Trust's financial statements and is required to account for the investment in its subsidiary at fair value through profit or loss.

IFRS 10, "Consolidated Financial Statements", IFRS 12 " Disclosures of Interests in Other Entities" and IAS 27 "Separate Financial Statements" amendments were issued in September 2014 and are effective for the periods beginning on or after 1 January 2016. The amendments clarify the following: exemption from preparing consolidated financial statements; a subsidiary providing services that relate to the parent's investment activities; application of the equity method by a non-investment entity investor to an investment entity investee and disclosure requirements relating to an investment entity measuring all of its subsidiaries at fair value. These amendments do not have any impact on the Company's financial position or performance.

IAS 1, "Presentation of Financial Statements" amendment was issued in December 2014 and is effective for periods beginning on or after 1 January 2016. The amendment introduces five narrow-focus improvements to the disclosure requirements that relate to materiality, order of the notes, subtotals, accounting policies and disaggregation. The amendment does not have any impact on the Company's financial position or performance.

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

(a) Basis of preparation (continued)

IFRS 9, IFRS 10, IFRS 12, IFRS 15, IAS 1 and IAS 27 Amendments (continued)

The amendments to IAS 27 require an investment entity as defined in IFRS 10 to present separate financial statements as its only financial statements in the case where it measures all of its subsidiaries at fair value through profit or loss and to disclose that fact.

(b) Estimates and Judgements

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts in the financial statements and accompanying notes. Management believes that the estimates utilised in preparing its financial statements are reasonable and prudent; however, actual results could differ from these estimates.

(c) Historical Cost Convention

The financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets and financial liabilities held at fair value through profit or loss.

(d) Investments at Fair Value

This category has two sub-categories: financial assets and liabilities held for trading, and those designated by management at fair value through profit or loss at inception. Financial assets or liabilities held for trading are acquired or incurred principally for the purpose of selling or repurchasing in the short term.

Purchases and sales of investments are recognised on their trade date i.e. the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value, and transaction costs for all financial assets are expensed as incurred. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership.

Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the Statement of Comprehensive Income in the year in which they arise.

The Company may from time to time invest in financial instruments that are not traded in an active market (for example in over-the- counter derivatives). The fair value is determined by using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each Statement of Financial Position date. Valuation techniques used include the use of comparable recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participation. There were no such securities held as at July 31, 2017 (2016: USD Nil).

The financial assets of the Company represent its investment in the Master Trust. At July 31, 2017 the investment in the Master Trust is valued by reference to the audited NAV of the Master Trust. The assets of the Master Trust are carried at fair value at July 31, 2017. The Master Trust's investments are predominantly level 2, which are generally readily marketable investments.

Realised gains and losses (net of transactions costs) on investment disposals are calculated using the average cost method.

The fair value of any investment, other than the Company's investment in the Master Trust, that is not quoted, listed or normally dealt in on a stock exchange or other market shall be the fair value thereof as ascertained by or on behalf of the Investment Manager in good faith with the approval of the Board.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Accounting policies (continued)

(e) Foreign exchange translation

(i) Functional and Presentation Currency
Items included in the Company's financial statements are measured and presented using the currency of the primary economic environment in which it operates (the "functional currency"). This is the US Dollar as this is the primary currency of the Company.

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income. Translation differences on non-monetary items held at fair value through profit or loss are reported as part of the fair value gain or loss.

(f) Investment income

Income arising from investments is accounted for on an ex-dividend basis and reported gross of non-reclaimable withholding tax. Interest income is accrued on an effective yield basis.

(g) Income equalisation

Income equalisation arrangements are applied to shares in the Company. These arrangements are intended to ensure that the income per share, which is distributed in respect of the distribution period, is not affected by changes in the number of shares in issue during that period. The calculation of equalisation is based on net income.

(h) Redeemable Shares and distributions to holders of Redeemable Shares

Redeemable Shares ("RS") are redeemable at the shareholder's option and are classified as financial liabilities. The distribution on these RS is recognised in the Statement of Comprehensive Income as a finance cost. The RS can be returned to the Company at any time for a cash amount equal to a proportionate share of the Company's NAV.

RS are issued and redeemed at the shareholder's option at prices based on the Company's NAV per share at the time of issue or redemption. The Company's NAV per share is calculated by dividing the net assets attributable to the holders of RS by the total number of outstanding RS.

The Articles of Association empower the Directors to declare dividends in respect of any shares out of net investment income together with the net realised capital gains of the Company. Any dividend unclaimed after a period of six years from the date of the declaration of such dividend shall be forfeited and shall revert to the Company.

The Company intends to declare monthly dividends to shareholders on the last business day of each month. The last business day of each month, or the last business day of each calendar quarter, as the case may be, is hereinafter referred to as the "Dividend Declaration Date". The Company will make a distribution payment to shareholders of the amount of net investment income received by it by way of distribution from the Master Trust which will be paid into an account disclosed in the relevant application form or such other account as may be notified to the Company by the shareholder. The Company will distribute any realised capital gains received from the Master Trust annually to its shareholders, in December each year.

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

(i) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts, there is an intention to settle on a net basis, or realise and settle the liability simultaneously. Details of the financial assets and liabilities netted off are included in the Portfolio of Investments on page 16.

(j) Forward Foreign Currency Contracts

A forward foreign currency contracts is a commitment between the Company and a counterparty to make or take delivery of a fixed amount of a specified foreign currency at a predetermined future date at a specific price. At each valuation, the difference between the contract price and the current forward rate for contracts of the same maturity is used to calculate the unrealised gain or loss of the Company's forward foreign currency contracts. The Company realises gains and losses at the time forward foreign currency contracts are settled or closed upon entering into an offsetting contract. The gains/losses on forward foreign currency contracts are disclosed in the net realised and movement in unrealised gains/(losses) on financial assets at fair value through profit or loss in the Statement of Comprehensive Income on page 18.

(k) Cash and cash equivalents

Cash and cash equivalents include cash in hand, demand deposits, other short-term highly liquid investments with original maturities of three months or less. Cash balances are held by J.P. Morgan Bank (Ireland) plc.

(l) Expenses

All expenses are recognised in the Statement of Comprehensive Income.

Notes to the Financial Statements (continued)

2. Net realised and movement in unrealised gains/(losses) on financial assets at fair value through profit or loss

An analysis of gains and losses on financial assets at fair value through profit or loss for the year ended July 31, 2017 and July 31, 2016 is as follows:

Realised gains and losses	Year ended July 31, 2017 USD '000	Year ended July 31, 2016 USD '000
Investments in Master Trust	(4,207)	(52,762)
Forward foreign currency contracts	3,337	(25)
Other foreign exchange	(475)	4
Total realised losses	**(1,345)**	**(52,783)**

Movement in unrealised gains and losses	Year ended July 31, 2017 USD '000	Year ended July 31, 2016 USD '000
Investments in Master Trust	40,312	(6,545)
Forward foreign currency contracts	1,080	9
Total movement in unrealised gains/(losses)	**41,392**	**(6,536)**

	Year ended July 31, 2017 USD '000	Year ended July 31, 2016 USD '000
Total realised losses	(1,345)	(52,783)
Total movement in unrealised gains/(losses)	41,392	(6,536)
Net realised and movement in unrealised gains/(losses) on financial assets at fair value through profit or loss	**40,047**	**(59,319)**

3. Operating expenses

	Year ended July 31, 2017 USD'000	Year ended July 31, 2016 USD'000
Administration fees (note 10)	1,300	1,175
AIFM fees (note 10)	4,604	4,305
Audit fees	26	26
Depositary fees (note 10)	132	131
Directors' fees (note 10)	50	40
Distribution fees (note 10)	4,784	4,702
Legal fees	48	36
Miscellaneous fees	172	106
Printing & publication fees	42	41
Reimbursement fees	–	1
Shareholder maintenance fees (note 10)	3,327	3,141
VAT	(18)	43
	14,467	**13,747**

Audit fees solely relate to statutory audit fees. There were no other fees paid to PricewaterhouseCoopers in Ireland as the statutory auditor of the Company, as no other services were provided.

Notes to the Financial Statements (continued)

4. Distributions to holders of Redeemable Shares

The following distributions in USD were made by the Company for the year ended July 31, 2017.

Ex dividend date	Payment date	A (dis) USD per share	B USD per share	N (dis) USD per share	C (dis)* USD per share	AX USD per share	Z (dis) USD per share	A (dis) SGD-H1 SGD per share	A (dis) EUR-H1 EUR per share	A (dis) RMB-H1 RMB per share
Aug 01, 2016	Aug 08, 2016	0.027820	0.021157	0.023556	0.022496	0.026446	0.033926	0.031883	0.031428	0.335709
Sep 01, 2016	Sep 09, 2016	0.033118	0.025445	0.028230	0.026989	0.031535	0.040829	0.038675	0.037268	0.398338
Oct 03, 2016	Oct 10, 2016	0.027297	0.020262	0.022763	0.021677	0.025851	0.033463	0.031865	0.030918	0.330433
Nov 01, 2016	Nov 08, 2016	0.027440	0.020124	0.022708	0.021596	0.025937	0.033729	0.032156	0.031408	0.337561
Dec 01, 2016	Dec 08, 2016	0.023903	0.017083	0.019518	0.018417	0.022893	0.029866	0.033280	0.028067	0.298733
Jan 03, 2017	Jan 10, 2017	0.023923	0.016662	0.019158	0.018084	0.022429	0.029476	0.030513	0.027078	0.290833
Feb 01, 2017	Feb 08, 2017	0.023175	0.013277	0.018197	0.017300	0.021614	0.028029	0.074696	0.025421	0.277590
Mar 01, 2017	Mar 08, 2017	0.017622	0.010958	0.013180	0.012290	0.016263	0.022335	0.022376	0.018337	0.216781
Apr 03, 2017	Apr 10, 2017	0.018840	0.011459	0.013909	0.012938	0.017335	0.023963	0.016648	0.021460	0.234184
May 01, 2017	May 08, 2017	0.016929	0.010274	0.012482	0.011607	0.015574	0.021545	0.019726	0.018645	0.210554
Jun 01, 2017	Jun 08, 2017	0.020424	0.012576	0.015188	0.014146	0.018822	0.025929	0.023266	0.021910	0.248286
Jul 03, 2017	Jul 10, 2017	0.019665	0.012544	0.014934	0.013971	0.018212	0.024820	0.022703	0.021392	0.214813

The following distributions in USD were made by the Company for the year ended July 31, 2016.

Ex dividend date	Payment date	A (dis) USD per share	B USD per share	N (dis) USD per share	C* USD per share	AX USD per share	Z (dis) USD per share	A (dis) SGD-H1 SGD per share	A (dis) EUR-H1 EUR per share	A (dis) RMB-H1 RMB per share
Aug 03, 2015	Aug 10, 2015	0.027481	0.020119	0.022719	0.021600	0.025970	0.033781	0.032345	0.032184	0.318950
Sep 01, 2015	Sep 09, 2015	0.027102	0.019820	0.022389	0.021283	0.025606	0.033329	0.031922	0.030147	0.322964
Oct 01, 2015	Oct 08, 2015	0.026610	0.019608	0.022089	0.021017	0.025171	0.032672	0.031163	0.030245	0.306348
Nov 02, 2015	Nov 09, 2015	0.030250	0.023336	0.025808	0.024708	0.028826	0.036751	0.035066	0.035571	0.348970
Dec 01, 2015	Dec 08, 2015	0.029130	0.022076	0.024614	0.023495	0.027677	0.035552	0.034069	0.035325	0.345281
Jan 04, 2016	Jan 11, 2016	0.032940	0.026015	0.028584	0.027411	0.031492	0.039843	0.036114	0.036962	0.394648
Feb 01, 2016	Feb 08, 2016	0.028727	0.022307	0.024657	0.023599	0.027402	0.034879	0.033202	0.032854	0.344218
Mar 01, 2016	Mar 08, 2016	0.031731	0.024969	0.027468	0.026342	0.030336	0.038431	0.035851	0.036358	0.374573
Apr 01, 2016	Apr 08, 2016	0.032695	0.025831	0.028377	0.027214	0.031274	0.039544	0.036633	0.036445	0.387707
May 02, 2016	May 09, 2016	0.028924	0.022313	0.024952	0.023893	0.027839	0.034489	0.032818	0.032628	0.349801
Jun 01, 2016	Jun 08, 2016	0.033132	0.025825	0.028538	0.027328	0.031656	0.040196	0.038687	0.038094	0.402640
Jul 01, 2016	Jul 11, 2016	0.030835	0.023969	0.026136	0.025020	0.029173	0.037419	0.034909	0.035285	0.375020

*Existing Class C shares were renamed to Class C (dis) shares with effect from June 13, 2017.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. **Redeemable Shares and Share Capital**

Authorised share capital
The minimum authorised share capital of the Company is 2 (two) shares of no par value designated as unclassified shares. The maximum authorised share capital of the Company is 500,000,000,002 (five hundred billion and two) shares of no par value designated as unclassified shares.

Subscriber shares
Subscriber shares issued amount to USD 2, being 2 subscriber shares of USD 1, fully paid. The subscriber shares do not form part of the NAV of the Company and are thus disclosed in the financial statements by way of this note only. In the opinion of the Directors, this disclosure reflects the nature of the Company's business as an Investment Company.

Redeemable Shares ("RS")
The issued share capital is at all times equal to the NAV of the Company. Shareholders may redeem any or all of their Shares on any Dealing Day except when dealings have been temporarily suspended. Redemption request forms must be received by the Company at the address specified in the redemption request form not later than the Valuation Point on the Repurchase Request Deadline. If the Company, as an investor in the Master Trust, is asked to vote on a proposed change in a fundamental policy of the Master Trust or any other matter pertaining to the Master Trust (other than continuation of the business of the Master Trust after withdrawal of another investor in the Master Trust), the Company will solicit proxies from its shareholders and vote its interest in the Master Trust for and against such matters proportionately to the instructions to vote for and against such matters received from the Company's shareholders.

For the Master Trust, redemptions are processed on any day the Master Trust is open for business and are effected at the Net Asset Value per share next calculated after the Master Trust receives a redemption request in proper form. Redemption payments will be made within seven days after receipt of the redemption request in proper form. Proceeds for redemption orders cannot be wired on those business days when the Federal Reserve Bank System and the custodian bank are closed. In unusual circumstances, the Master Trust may temporarily suspend redemptions or postpone the payment of proceeds as allowed by federal securities law.

The movement in RS during the year is shown below:

	Year ended July 31, 2017	Year ended July 31, 2016
A (acc) shares opening balance at start of year	**33,860,525**	**54,553,580**
A (acc) shares subscriptions in the year	36,305,527	10,133,558
A (acc) shares redemptions in the year	(14,744,352)	(30,826,613)
Total A (acc) shares in issue at end of year	**55,421,700**	**33,860,525**
A (dis) shares opening balance at start of year	**43,912,362**	**54,396,730**
A (dis) shares subscriptions in the year	33,266,395	12,897,422
Reinvestments of shares in the year	531,323	661,062
A (dis) shares redemptions in the year	(23,944,397)	(24,042,852)
Total A (dis) shares in issue at end of year	**53,765,683**	**43,912,362**
B shares opening balance at start of year	**1,677,864**	**2,188,848**
B shares subscriptions in the year	1,373	147,032
Reinvestments of shares in the year	16,984	33,243
B shares redemptions in the year	(691,853)	(691,259)
Total B* shares in issue at end of year	**1,004,368**	**1,677,864**

Notes to the Financial Statements (continued)

5. Redeemable Shares and Share Capital (continued)

Redeemable Shares ("RS") (continued)

	Year ended July 31, 2017	Year ended July 31, 2016
N (acc) shares opening balance at start of year	**12,333,350**	**19,013,309**
N (acc) shares subscriptions in the year	10,832,720	2,999,924
N (acc) shares redemptions in the year	(5,158,067)	(9,679,883)
Total N (acc) shares in issue at end of year	**18,008,003**	**12,333,350**
N (dis) shares opening balance at start of year	**4,780,458**	**5,876,118**
N (dis) shares subscriptions in the year	3,045,061	2,139,853
Reinvestments of shares in the year	35,608	45,971
N (dis) shares redemptions in the year	(2,486,670)	(3,281,484)
Total N (dis) shares in issue at end of year	**5,374,457**	**4,780,458**
C (acc) shares opening balance at start of year	**–**	**–**
C (acc) shares subscriptions in the year	616,172	–
C (acc) shares redemptions in the year	(13,703)	–
Total C (acc) shares in issue at end of year**	**602,469**	**–**
C (dis) shares opening balance at start of year	**16,462,704**	**20,860,502**
C (dis) shares subscriptions in the year	9,401,685	2,843,332
Reinvestments of shares in the year	258,171	340,510
C (dis) shares redemptions in the year	(5,958,554)	(7,581,640)
Total C (dis)* shares in issue at end of year**	**20,164,006**	**16,462,704**
AX shares opening balance at start of year	**8,089,372**	**9,783,980**
AX shares subscriptions in the year	1,786,628	665,723
Reinvestments of shares in the year	171,834	237,783
AX shares redemptions in the year	(1,721,108)	(2,598,114)
Total AX shares in issue at end of year	**8,326,726**	**8,089,372**
Z (acc) shares opening balance at start of year	**6,750,103**	**12,920,877**
Z (acc) shares subscriptions in the year	10,909,777	4,192,473
Z (acc) shares redemptions in the year	(4,976,854)	(10,363,247)
Total Z (acc) shares in issue at end of year	**12,683,026**	**6,750,103**
Z (dis) shares opening balance at start of year	**909,831**	**1,508,983**
Z (dis) shares subscriptions in the year	7,579,962	614,736
Reinvestments of shares in the year	21,558	13,686
Z (dis) shares redemptions in the year	(6,032,494)	(1,227,574)
Total Z (dis) shares in issue at end of year	**2,478,857**	**909,831**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Redeemable Shares and Share Capital (continued)

Redeemable Shares ("RS") (continued)

	Year ended July 31, 2017	Year ended July 31, 2016
A (dis) SGD-H1 shares opening balance at start of year	**35,839**	**68,137**
A (dis) SGD-H1 shares subscriptions in the year	2,329,641	20,223
Reinvestments of shares in the year	3	–
A (dis) SGD-H1 shares redemptions in the year	(973,780)	(52,521)
Total A (dis) SGD-H1 shares in issue at end of year	**1,391,703**	**35,839**
A (dis) EUR-H1 shares opening balance at start of year	**23,553**	**44,675**
A (dis) EUR-H1 shares subscriptions in the year	4,774,508	–
Reinvestments of shares in the year	28,635	–
A (dis) EUR-H1 shares redemptions in the year	(821,064)	(21,122)
Total A (dis) EUR-H1 shares in issue at end of year	**4,005,632**	**23,553**
A (dis) RMB-H1 shares opening balance at start of year	**32,680**	**62,868**
A (dis) RMB-H1 shares redemptions in the year	–	(30,188)
Total A (dis) RMB-H1 shares in issue at end of year	**32,680**	**32,680**

* The Company discontinued the sale of Class B shares with effect from April 1, 2016.
** Class C (acc) shares launched on June 13, 2017.
***Existing Class C shares were renamed Class C (dis) shares with effect from June 13, 2017.

	July 31, 2017 Total NAV	July 31, 2017 NAV Per RS	July 31, 2016 Total NAV	July 31, 2016 NAV Per RS	July 31, 2015 Total NAV	July 31, 2015 NAV Per RS
Share Class						
Class A (acc)	USD 823,878,926	USD 14.87	USD 475,154,555	USD 14.03	USD 748,056,328	USD 13.71
Class A (dis)	USD 466,255,431	USD 8.67	USD 371,344,957	USD 8.46	USD 469,434,764	USD 8.63
Class B*	USD 8,701,648	USD 8.66	USD 14,171,697	USD 8.45	USD 18,865,978	USD 8.62
Class N (acc)	USD 243,769,677	USD 13.54	USD 158,702,360	USD 12.87	USD 240,731,606	USD 12.66
Class N (dis)	USD 47,381,762	USD 8.82	USD 41,098,957	USD 8.60	USD 51,552,872	USD 8.77
Class C (acc)**	USD 6,038,071	USD 10.02	–	–	–	–
Class C (dis)***	USD 174,768,752	USD 8.67	USD 139,141,058	USD 8.45	USD 179,914,779	USD 8.62
Class AX	USD 72,083,662	USD 8.66	USD 68,290,850	USD 8.44	USD 84,288,523	USD 8.61
Class Z (acc)	USD 171,809,161	USD 13.55	USD 86,054,565	USD 12.75	USD 160,506,096	USD 12.42
Class Z (dis)	USD 24,478,307	USD 9.87	USD 8,756,973	USD 9.62	USD 14,820,334	USD 9.82
A (dis) SGD-H1	SGD 13,828,828	SGD 9.94	SGD 350,249	SGD 9.77	SGD 676,292	SGD 9.93
A (dis) EUR-H1	EUR 38,546,937	EUR 9.62	EUR 224,736	EUR 9.54	EUR 440,450	EUR 9.86
A (dis) RMB-H1	RMB 3,535,163	RMB 108.18	RMB 3,342,493	RMB 102.28	RMB 6,299,771	RMB 100.21

* The Company discontinued the sale of Class B shares with effect from April 1, 2016.
** Class C (acc) shares launched on June 13, 2017.
***Existing Class C shares were renamed Class C (dis) shares with effect from June 13, 2017.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Taxation

Under current Irish law and practice, the Company qualifies as an investment undertaking as defined in Section 739B of the Taxes Consolidation Act, 1997, as amended. On that basis, it is not chargeable to Irish tax on its income or gains. However, Irish tax may arise on the occurrence of a "chargeable event". A chargeable event includes any distribution payments to shareholders, any encashment, redemption, cancellation or transfer of shares and the holding of shares at the end of each eight year period beginning with the acquisition of such shares. No Irish tax will arise on the Company in respect of chargeable events in respect of:

- a shareholder who is neither Irish resident nor ordinarily resident in Ireland for tax purposes, at the time of the chargeable event, provided appropriate valid declarations in accordance with the provisions of the Taxes Consolidation Act, 1997, as amended are held by the Company or where the Company has been authorised by the Irish Revenue to make gross payments in the absence of appropriate declarations; and
- certain exempted Irish tax resident shareholders who have provided the Company with the necessary signed statutory declarations.

The Finance Act 2010 provides that the Revenue Commissioners may grant approval per investment funds marketed outside of Ireland to make payments to non-resident investors without deduction of Irish tax where no relevant declaration is in place, subject to meeting the "equivalent measures". A fund wishing to receive approval must apply in writing to the Revenue Commissioners, confirming compliance with the relevant conditions.

Dividends, interest and capital gains (if any) received on investments made by the Company may be subject to withholding taxes imposed by the country from which the investment income/gains are received and such taxes may not be recoverable by the Company or its shareholders.

7. Exchange rates

The following USD exchange rates were used to convert the investments and other assets and liabilities denominated in currencies other than USD:

	July 31, 2017	July 31, 2016
Chinese Yuan Renminbi	6.7271	6.6550
Euro	0.8449	0.8943
Singapore Dollar	1.3552	1.3431

8. Financial risk management

The Company's investment goal is to provide a high level of current income and preservation of capital by investing up to 100% of its net assets in the Master Trust, which is registered in the USA under the US Investment Company Act of 1940, as amended, as an open-end investment company, and consists of one fund, the Franklin Floating Rate Master Series. The shares are exempt from registration under the US Securities Act of 1933. The investment objectives, policies and restrictions of the Master Trust are described in the Prospectus of the Company.

There can be no assurance that the Company will achieve its investment objective. Investors should carefully assess the risks associated with an investment in the Company and, through this, the risks associated with the Master Trust. The risks of the Master Trust and the policies to manage those risks are described in the Investment Considerations, Investment Techniques and Risk Factors sections of the Prospectus of the Company.

Concentration and liquidity risk

Through its investment in the Master Trust, the Company bears a high degree of concentration risk though this is mitigated through the diversification of the investments held by the Master Trust.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. **Financial risk management** (continued)

Concentration and liquidity risk (continued)

In certain circumstances the Directors can limit redemptions as follows:

- 10% of the outstanding shares in issue on any one dealing date.

The Trustees of the Master Trust have no powers to limit or restrict redemptions.

The financial liabilities of the Company, including net assets attributable to redeemable participating shareholders, all have a contractual maturity date of within one month.

The Company is 100% owned by Templeton Global Advisors Limited, which is made up of a number of nominee accounts.

At July 31, 2017 and July 31, 2016 the Company invested 99.77% and 100.02% respectively of its net assets in shares of the Franklin Floating Rate Master Series (the "Common Shares") in the Master Trust. A fractional portion is invested in forward foreign currency contracts as a hedging measure. The notional amount of those contracts is displayed on page 16 of this report. The cost of hedging does not impact portfolio value per se and is allocated to respective hedge classes.

Market price risk

All investments present a risk of loss of capital. The Company's market price risk arises through its investment in the Master Trust. The Master Trust moderates this risk through a careful selection of securities and investments within specified limits. The maximum risk of the Company's investments is determined by the fair value of the investments as presented in the Statement of Financial Position.

Market price risk represents the potential loss the Company might suffer through price movements in the NAV of the Master Trust. If the price of the Master Trust had increased or decreased by 5% with all other variables held constant, this would have increased/decreased the net assets attributable to holders of redeemable shares by USD 104,531,317 (2016: USD 68,197,765).

The market price risk information is a relative estimate of risk rather than a precise and accurate number as the models are based on historical data and cannot take account of the fact that future market price movements, correlations between markets and levels of market liquidity in conditions of market stress may bear no relation to historical patterns.

Interest rate risk

The Company holds cash balances which are subject to a floating rate of interest. These cash balances are placed with reputable financial institutions. The majority of the assets are shares in the Master Trust which neither pay interest nor have a maturity date. At July 31, 2017 and July 31, 2016, any reasonably possible movement in interest rates would have an immaterial direct effect on the net assets attributable to holders of RS. However, any movement in interest rates may have an effect on the NAV of the Master Trust as well as the dividend income received by the Company from the Master Trust.

Interest rate risk sensitivity is monitored by the Investment Adviser through its incorporation in the VaR model.

Credit risk

The Company will be exposed to a credit risk on parties with whom it trades and will also bear the risk of settlement default. The Company's investment in the Master Trust is held by the Depositary in such a manner as to be separately identifiable from the Depositary's own investments, and will therefore be unavailable to the creditors of the Depositary.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. **Financial risk management** (continued)

Credit risk (continued)
The Company has an ongoing contract with its Depositary for the provision of custody services. Details of securities held in custody on behalf of the Company are received and reconciled monthly. To the extent that J.P. Morgan Bank (Ireland) Plc ("J.P. Morgan") carries out the above duties on the Company's behalf, the Company is exposed to counterparty risk. The current ratings of J.P. Morgan Chase Bank, N.A. are: S&P A+ Moody's Aa3; and Fitch AA-.

Franklin Resources, Inc., which is the ultimate parent of both Franklin Advisers, Inc. ("Advisers") as Investment manager, and Franklin Templeton International Services S.à r.l. as Alternative Investment Fund Manager (the "AIFM"), has a Counterparty Credit Committee which meets regularly to review and update a list of approved counterparties, change exposure limits and counterparty approval status. The committee has the authority to block trading with a particular counterparty. Total firm wide exposures to each counterparty along with each counterparties' credit rating and credit default swap spread are also monitored, and included in weekly reporting to the Trading and Portfolio Management teams, as contributory factors in determining the creditworthiness of counterparties.

With the exception of cash, the Company's assets held by J.P. Morgan or its sub-custodians are segregated in such a manner that they are not subject to creditor claims against J.P. Morgan. Securities received by J.P. Morgan in its capacity as Depositary (whether the securities are registered or bearer) do not form a part of J.P. Morgan's general assets. Assets are held on J.P. Morgan's system in accounts segregated from general assets of the firm. To the fullest extent permissible by law and local legislation, J.P. Morgan's sub-custodians hold assets in segregated accounts designated as holding assets belonging to clients of J.P. Morgan. Assets belonging to J.P. Morgan or to its sub-custodians cannot be deposited into these accounts. Cash held by J.P. Morgan is not segregated.

The Master Trust invests in corporate loans. The Agent Banks are the lenders that administer the corporate loans and are responsible for collecting principal, interest and fee payments from the corporate borrowers. The corporate loans are not held by the Custodian of the Master Trust at the year end. The Investment Manager of the Master Trust performs a quarterly reconciliation to the Agent Banks books and records.

Foreign currency risk
SGD, EUR & RMB share classes are designated in a currency other than the base currency of the Company, being US Dollars. In such circumstances, adverse exchange rate fluctuations between the base currency and the Class Currency may result in a decrease in return and/or a loss of capital for shareholders. The Investment Manager may try to mitigate this risk for holders of the Hedged Class Shares by using any of the efficient portfolio management techniques and instruments (including currency options and forward foreign currency contracts), within the conditions and limits imposed by the Central Bank, to hedge the foreign currency exposure of such classes into the base currency of the Company. A class may not be leveraged as a result of the use of such techniques and instruments however, subject to the below, hedging up to, but not exceeding 105% of the Net Asset Value attributable to the relevant class, is permitted. The Investment Manager will monitor hedging on at least a monthly basis and will increase or reduce the level of hedging to ensure that it neither exceeds nor remains below 100% of the Net Asset Value attributable to the relevant class at any month-end.

The Company invests in a number of non USD forward currency contracts which amounted to USD 54,318,452 (2016: USD 968,261). Non USD cash held at the Statement of Financial Position date amounted to USD 68,034 (2016: USD 45,165).

Foreign currency risk sensitivity is monitored by the Investment Adviser through its incorporation in the VaR model.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. **Financial risk management** (continued)

Capital risk management
The capital of the Company is represented by the net assets attributable to holders of RS. The amount of net assets attributable to holders of RS can change significantly on a daily basis as the Company is subject to daily subscriptions and redemptions at the discretion of shareholders. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Company.

In order to maintain or adjust the capital structure, the Company's policy is to redeem and issue new shares in accordance with the constitutional documents of the Company, which include the ability to restrict redemptions and require certain minimum holdings and subscriptions.

The Board of Directors and the AIFM monitor capital on the basis of the value of net assets attributable to RS.

9. **Fair value estimation**
The Company is required to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data; and
- Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes Inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest Level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgment by the Company. The Company considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These may include investment-grade

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. **Fair value estimation** (continued)

corporate bonds and certain non-US sovereign obligations, listed equities, over-the-counter derivatives and investment funds. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

There were no significant transfers between levels during the year.

The following table presents the investment in the Master Trust carried on the Statement of Financial Position by level within the valuation hierarchy as of July 31, 2017:

July 31, 2017	Level 1 USD'000	Level 2 USD'000	Level 3 USD'000	Total USD'000
Assets				
Financial assets at fair value	–	2,090,626	–	2,090,626
Forward foreign currency contracts	–	1,109	–	1,109
Total Assets	**–**	**2,091,735**	**–**	**2,091,735**
Liabilities Forward foreign currency contracts	–	(19)	–	(19)
Total Assets	–	(19)	–	(19)

The following table presents the investment in the Master Trust carried on the Statement of Financial Position by level within the valuation hierarchy as of July 31, 2016:

July 31, 2016	Level 1 USD'000	Level 2 USD'000	Level 3 USD'000	Total USD'000
Assets				
Financial assets at fair value	–	1,363,955	–	1,363,955
Forward foreign currency contracts	–	10	–	10
Total Assets	–	**1,363,965**	–	**1,363,965**

Notes to the Financial Statements (continued)

9. Fair value estimation (continued)

Assets and liabilities not carried at fair value but for which fair value is disclosed
The following table analyses, within the fair value hierarchy, the Company's assets and liabilities not carried at fair value at July 31, 2017 but for which fair value is disclosed.

July 31, 2017	Level 1 USD'000	Level 2 USD'000	Level 3 USD'000	Total USD'000
Assets				
Amounts receivable from subscription of shares	–	3,471	–	3,471
Cash and cash equivalents	98	–	–	98
Investment income receivable	–	6,566	–	6,566
Total	**98**	**10,037**	**–**	**10,135**

July 31, 2017	Level 1 USD'000	Level 2 USD'000	Level 3 USD'000	Total USD'000
Liabilities				
Amounts payable for redemption of shares	–	4,562	–	4,562
Distribution and shareholder maintenance fees	–	801	–	801
Administration fees	–	259	–	259
AIFM fees	–	490	–	490
Other liabilities	–	126	–	126
Legal fees	–	48	–	48
Depositary fees	–	45	–	45
Net assets attributable to holders of Redeemable Shares	–	2,095,520	–	2,095,520
Total	**–**	**2,101,851**	**–**	**2,101,851**

The following table analyses, within the fair value hierarchy, the Company's assets and liabilities not carried at fair value at July 31, 2016 but for which fair value is disclosed.

July 31, 2016	Level 1 USD'000	Level 2 USD'000	Level 3 USD'000	Total USD'000
Assets				
Amounts receivable from subscription of shares	–	4,587	–	4,587
Cash and cash equivalents	86	–	–	86
Investment income receivable	–	5,856	–	5,856
Sale of shares awaiting settlement	–	27,178	–	27,178
Other receivable	–	2	–	2
Total	**86**	**37,623**	**–**	**37,709**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Fair value estimation (continued)

Assets and liabilities not carried at fair value but for which fair value is disclosed (continued)

July 31, 2016	Level 1 USD'000	Level 2 USD'000	Level 3 USD'000	Total USD'000
Liabilities				
Amounts payable for redemption of shares	–	36,814	–	36,814
Distribution and shareholder maintenance fees	–	572	–	572
Administration fees	–	140	–	140
AIFM fees	–	340	–	340
Other liabilities	–	120	–	120
Legal fees	–	17	–	17
Depositary fees	–	32	–	32
Net assets attributable to holders of Redeemable Shares	–	1,363,639	–	1,363,639
Total	**–**	**1,401,674**	**–**	**1,401,674**

The net assets attributable to redeemable shareholders is calculated based on the net difference between total assets and all other liabilities of the Company in accordance with the Company's offering memorandum. These shares are not traded on an active market. A demand feature is attached to these shares, as they are redeemable at the holders' option and can be put back to the Company at any dealing date for cash equal to a proportionate share of the Company's net asset value attributable to the share class. The fair value is based on the amount payable on demand, discounted from the first date that the amount could be required to be paid. The impact of discounting in this instance is not material. As such, level 2 is deemed to be the most appropriate categorisation for net assets attributable to holders of redeemable shares.

The Company has an established control framework with respect to the measurement of fair values. This framework includes a portfolio valuation function, which is independent of front office management and reports to the Board of Directors, who have overall responsibility for fair value measurements. Specific controls include:

- Verification of observable pricing inputs;
- Re-performance of model valuations;
- A review and approval process for new models and changes to such models;
- Calibration and back-testing of models against observed market transactions;
- Analysis and investigation of significant daily valuation movements; and
- Review of unobservable inputs and valuation adjustments.

Notes to the Financial Statements (continued)

9. Fair value estimation (continued)

Assets and liabilities not carried at fair value but for which fair value is disclosed (continued)
When third party information, such as broker quotes or pricing services, is used to measure fair value, then the portfolio valuation function assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS. This includes:

- Verifying that the broker or pricing service is approved by the Company for use in pricing the relevant type of financial instrument;
- Understanding how the fair value has been arrived at and the extent to which it represents actual market transactions;
- When prices for similar instruments are used to measure fair value, how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement; and
- If a number of quotes for the same financial instrument have been obtained, then how fair value has been determined using those quotes.

10. Significant agreements and related party transactions
IAS 24 "Related Party Transactions" requires the disclosure of information relating to material transactions with parties who are deemed to be related to the reporting entity. The Master Trust has Franklin Advisers, Inc. as Investment manager, Franklin Templeton Services, LLC ("FT Services") as the Administrative manager and Franklin Templeton Investor Services, LLC ("Investor Services") as the Transfer agent.

Investment Adviser to the Master Trust
The Investment Adviser to the Master Trust has agreed to waive any preliminary or initial charge that it may otherwise be entitled to receive in respect of any investment made by the Company in the Master Trust. The Master Trust pays an investment management fee to Advisers based on the average daily net assets. For the year ended July 31, 2017, the effective investment management fee rate was 0.530% of the Fund's average daily net assets (Up to and including USD 2.5 billion).

Under an agreement with Advisers, FT Services provides administrative services to the Master Trust. The fee is paid by Advisers based on the Master's average daily net assets, and is not an additional expense of the Master Trust. Also, Investor Services, under terms of an agreement, performs shareholder servicing for the Master Trust and is not paid by the Master Trust for the services.

AIFM, Distributor and shareholder maintenance
Franklin Templeton International Services S.à r.l. is the AIFM and principal distributor for the Company.

The Company will pay to Franklin Templeton International Services S.à r.l. a fee up to 0.26% per annum of the average daily NAV of the Company in respect of management company and principal distribution services. During the year the Company incurred AIFM fees of USD 4,604,169 (July 31, 2016: USD 4,304,591) of which USD 490,357 (July 31, 2016: USD 340,102) was payable at July 31, 2017.

The Distributor has an agreement with Societe Generale ("SG") whereby SG finances the distribution fees payable on share classes B and C (dis). In this regard, the principal distributor has authorised the Company to pay a portion of its distribution fees directly to SG on its behalf.

Notes to the Financial Statements (continued)

10. Significant agreements and related party transactions (continued)

AIFM, Distributor and shareholder maintenance (continued)
In addition, the Company will pay the Distributor a distribution fee of up to 0.5% per annum of the average daily NAV of the AX share class, a fee of up to 1% per annum of the N share class, a fee of up to 1.05% per annum of the average daily NAV of the B share class and a fee of up to 1.10% per annum of the average daily NAV of the C (dis) share class and C (acc) share class. These fees shall be accrued daily and paid monthly in arrears.

The Company will pay the Distributor a shareholder maintenance fee of up to 0.3% per annum of the average daily NAV of the A share classes and a shareholder maintenance fee of up to 0.25% per annum of the average daily NAV of the B share class. These fees shall be accrued daily and paid monthly in arrears.

There is an upfront sales charge of up to 6.5% of the total amount invested payable to the Distributor in respect of any investment in class A and class AX shares. There is an upfront sales charge of up to 3% of the total amount invested payable to the Distributor for the N share class.

During the year the Company incurred distribution fees of USD 4,784,250 (2016: USD 4,701,624) of which USD 4,467,941 (2016: USD 4,339,179) were earned by the Distributor and USD 316,309 (2016: USD 362,445) were earned by SG. Fees payable were USD 449,473 (2016: USD 319,181) and USD 7,600 (2016: USD 21,501) at July 31, 2017 to the Distributor and SG, respectively.

The Distributor earned shareholder maintenance fees of USD 3,326,665 (2016: USD 3,141,628) of which USD 343,502 (2016: USD 231,078) was payable at July 31, 2017.

The following distribution fees were incurred by the Company for the years ended July 31, 2017 and July 31, 2016.

Class	Annual Fee	Year ended July 31, 2017 USD'000	Year ended July 31, 2016 USD'000
AX	0.50%	358	371
B	1.05%	116	169
C (acc)	1.10%	5	–
C (dis)	1.10%	1,785	1,707
N (acc)	1.00%	2,068	1,982
N (dis)	1.00%	452	473
		4,784	**4,702**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Significant agreements and related party transactions (continued)

AIFM, Distributor and shareholder maintenance (continued)
The following shareholder maintenance fees were incurred by the Company for the year ended July 31, 2017 and July 31, 2016.

Class	Annual Fee	Year ended July 31, 2017 USD'000	Year ended July 31, 2016 USD'000
A (acc)	0.30%	1,890	1,826
A (dis)	0.30%	1,349	1,270
B	0.25%	28	40
A (dis) SGD-H1	0.30%	14	3
A (dis) EUR-H1	0.30%	45	1
A (dis) RMB-H1	0.30%	1	1
		3,327	**3,141**

Holders of B shares may be subject to a contingent deferred sales charge ("CDSC") payable to the Distributor; the amount of which is calculated by reference to the length of time the shares have been held by the relevant investor. The amount of CDSC payable is calculated as follows:

Period Held	CDSC for B Shares
Less than 1 year	4%
Equal or more than one year but less than two years	3%
Equal or more than two years but less than three years	2%
Equal or more than three years but less than four years	1%
Equal or more than 4 years	0%

Holders of Class C (dis) shares and Class C (acc) shares may be subject to a CDSC of 1% if the shares are held for less than twelve months, payable to the Distributor.

Holders of Class A and AX shares may be subject to a CDSC of 1% if the shares are held for less than eighteen months, payable to the Distributor.

Administrator
J.P. Morgan Administration Services (Ireland) Limited is the Administrator for the Company. The Administrator, J.P. Morgan Administration Services (Ireland) Limited charges a fee of 0.0275% of the NAV of the Company up to USD 100 million, 0.0225% between USD 100 million and USD 250 million, 0.0175% between USD 250 million and USD 500 million and 0.015% when the NAV is above USD 500 million.

During the year the Administrator earned fees of USD 1,299,639 (2016: USD 1,175,140) of which USD 258,633 (2016: USD 139,930) was payable at July 31, 2017.

Depositary
The Depositary, J.P. Morgan Bank (Ireland) plc charges trustee/depositary fees on a tiered basis (0.01% on the first USD 1 billion, 0.005% on the remainder), subject to a minimum fee of USD 30,000. These fees are accrued daily and paid monthly in arrears.

During the year the Depositary earned fees of USD 131,747 (2016: USD 130,488) of which USD 45,000 (2016: USD 31,873) was payable at July 31, 2017.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Significant agreements and related party transactions (continued)

Directors
Francis Ennis, David McGeough, Gregory E. McGowan and Hans Wisser are Directors of the Company[1].

Francis Ennis receives a Director's fee of USD 20,000 per annum. David McGeough and Hans Wisser each receive a Director's fee of USD 15,000 per annum.

All transactions with affiliates were entered into in the ordinary course of business.

11. Transaction costs
In order to achieve its investment objective, the Company may incur transactions costs in relation to trading activity on its portfolio.

There were no transaction costs which are separately identifiable incurred by the Company for the years ended July 31, 2017 and July 31, 2016.

12. Franklin Floating Rate Master Trust
The transactions between the Company and the Master Trust consist only of dealing in the units of the Master Trust and the receipt of dividends by the Company from the Master Trust.

The Master Trust is an open-ended investment company, which was incorporated in November 1999. At the year end the balances between the Company and the Master Trust are disclosed on the Statement of Financial Position of the Company and comprise the investments in securities, proceeds due from investments sold and dividends receivable. The total dividend received from the Master Trust is disclosed as Investment income in the Statement of Comprehensive Income.

The registered office of the Master Trust, which is a US Investment Trust, is Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware 19801, U.S.A. and the Company holds 100% (July 31, 2016: 100%) of the units of the Master Trust.

In accordance with the provisions of the Master Trust's Trust Deed and US GAAP, if market quotations are readily available for portfolio securities listed on a securities exchange, the Master Trust values those securities at the last quoted sale price or the official closing price of the day, or, if there is no reported sale, within the range of the most recent quoted bid and ask prices, for the purpose of determining NAV per unit for subscriptions and redemptions and for various fee calculations.

13. Soft commissions
There have been no soft commission arrangements affecting this Company during the year (2016: None).

14. Contingent liabilities
There are no contingent liabilities as of July 31, 2017 (2016: None).

15. Significant events during the year
On June 13, 2017, the existing Class C shares were renamed Class C (dis) shares and Class C (acc) shares were launched on the same date.

[1]Ken Lewis acts as alternate to Gregory E. McGowan.

Notes to the Financial Statements (continued)

16. Statement of Changes in the Portfolio

A Statement of Changes in the Portfolio (unaudited) is available, free of charge, upon request from the Administrator.

17. Significant events since year end

There have been no significant events since the year end.

18. Authorisation of the financial statements

The financial statements were authorised for issue by the Board of Directors on November 9, 2017.

Other Information (Unaudited)

For the year ended July 31, 2017

Securities Financing Transactions

The Company did not engage in Securities Financing Transactions or Total Return Swaps (as defined in Article 3 of Regulation (EU) 2015/2365, securities financing transactions include repurchase transactions, securities or commodities lending and securities or commodities borrowing, buy-sell back transactions or sell-buy back transactions and margin lending transactions) during the year ended July 31, 2017. Accordingly, disclosures required by Article 13 of the Regulation are not applicable.

APPENDIX A

Franklin Floating Rate Master Trust

Annual Report and Audited Financial Statements
for the year ended July 31, 2017

Appendix A

Franklin Floating Rate Master Series Annual Report

Manager's Discussion

During the 12 months ended July 31, 2017, the Fund delivered a +6.71% cumulative total return. In comparison, its benchmark, the Credit Suisse Leveraged Loan Index (CS LLI), generated a +6.83% total return.[1]

In the first half of the period, our selection of loans in the metals and minerals industry within the middle and lower credit tiers contributed to performance relative to the index. These loans had traded at significant discounts to par, but appreciated due to the strong technical environment and heightened expectations for commodity-related issuers. However, in the second half of the period, our overweighting in the upper credit tier of the index detracted from relative performance as lower tier and middle tier loans outperformed loans with relatively higher credit ratings. For the entire one-year period, top contributors included a coal producing issuer that aided relative performance as the price of metallurgical coal improved and the company worked toward reaching an agreement for its reorganization plan. Another issuer, a manufacturer and provider of sealing products, contributed to performance as an increase in oil prices heightened expectations of additional orders from customers in the oil and gas sector. A top detractor from performance included a specialty retailer with multiple core brands, as its loans declined after reporting weaker operating results from softer same-store sales and lower store traffic. The term loan of a radio broadcaster declined after the company reported disappointing results as radio markets remained weak and margins shrank due to higher expenses.

Purchases during the period focused on higher rated loans with relatively fewer years to maturity, which we believed would fare relatively better amid a period of increased credit risk as these would be closer to refinancing or repayment. Our weighting in the upper tier increased, while our weightings in the middle and lower tiers declined. Our largest sales included loans of companies that we believed posed elevated credit risks, while we also opted not to participate in a handful of refinancing deals that extended maturities or tightened spreads to levels where we believed we would not be adequately compensated for the risk. The Fund also sought protection against potential volatility in the credit markets by investing in the Markit CDX North American High Yield Index, an index of high yield bond credit default swaps that aims to provide synthetic exposure to the high yield bond market.

Portfolio Composition 7/31/17	% of Total Net Assets
Senior Floating Rate Interests	81.91%
Other Long-Term Investments*	9.39%
Short-Term Investments & Other Net Assets	8.70%

*Common stocks and asset-backed securities.

Notes:

1. Source: Credit Suisse Group.
The index is unmanaged and includes reinvestment of any income or distributions. It does not reflect any fees, expense or sales charges. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio.
See www.franklintempletondatasources.com for additional data provider information.

Appendix A (continued)

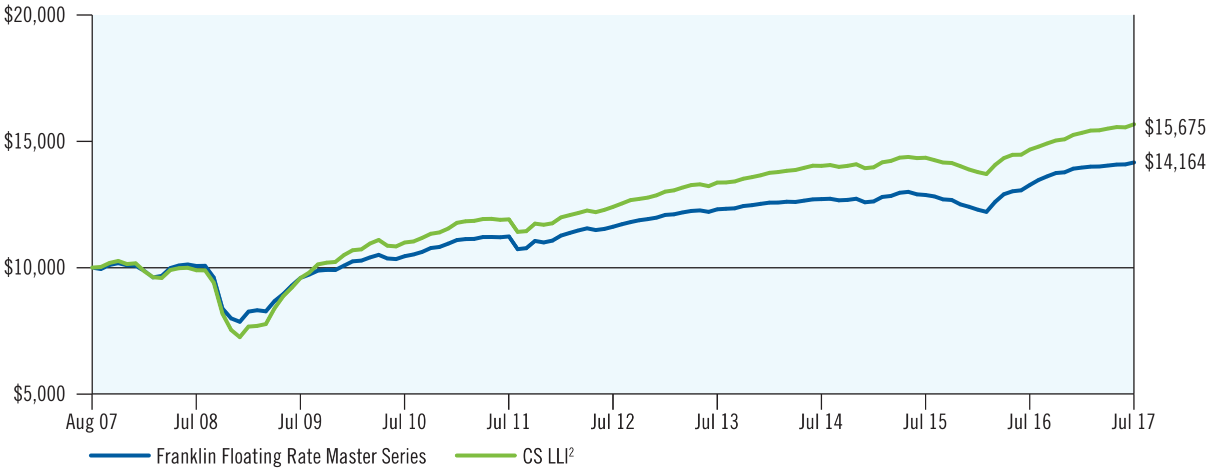
Franklin Floating Rate Master Series Annual Report

Total Return Index Comparison for a Hypothetical $10,000 Investment[1]

Total return represents the change in value of an investment over the periods shown. It includes any applicable maximum sales charge, Fund expenses, account fees and reinvested distributions. The unmanaged index includes reinvestment of any income or distributions. It differs from the Fund in composition and does not pay management fees or expenses. One cannot invest directly in an index.

Franklin Floating Rate Master Series

From (08/2007 - 07/2017)



Average Annual Total Return[3] 7/31/17	
1-Year	+6.71%
5-Year	+21.90%
10-Year	+41.64%

1. The Fund has a voluntary expense reduction, which can be discontinued at any time upon notification to the Fund's board. Fund investment results reflect the expense reduction; without this reduction, the results would have been lower.
2. Source: Credit Suisse Group. The CS LLI is designed to mirror the investable universe of the U.S. dollar- denominated leveraged loan market. Loans must be below investment grade and rated no higher than Baa1/BB+ or Bal/BBB+ by Moody's/Standard & Poor's® (S&P).
3. Average annual total return represents the average annual change in value of an investment over the period indicated. Return for less than one year, if any, has not been annualized.
See www.franklintempletondatasources.com for additional data provider information.

Appendix A (continued)

Franklin Floating Rate Master Series Annual Report

Your Fund's Expenses

As a Fund shareholder, you can incur two types of costs:

(1) transaction costs, including sales charges (loads) on Fund purchases and redemptions; and

(2) ongoing Fund costs, including management fees, distribution and service (12b-1) fees, and other Fund expenses. All mutual funds have ongoing costs, sometimes referred to as operating expenses.

The table below shows ongoing costs of investing in the Fund and can help you understand these costs and compare them with those of other mutual funds. The table assumes a $1,000 investment held for the six months indicated.

Actual Fund Expenses

The table below provides information about actual account values and actual expenses in the columns under the heading "Actual." In these columns the Fund's actual return, which includes the effect of Fund expenses, is used to calculate the "Ending Account Value."

You can estimate the expenses you paid during the period by following these steps *(of course, your account value and expenses will differ from those in this illustration):*

Divide your account value by $1,000 *(if your account had an $8,600 value, then $8,600 ÷ $1,000 = 8.6).*

Then multiply the result by the number under the headings "Actual" and "Expenses Paid During Period" *(if Actual Expenses Paid During Period were $7.50, then 8.6 x $7.50 = $64.50).*

In this illustration, the actual expenses paid this period are $64.50.

Hypothetical Example for Comparison with Other Funds

Under the heading "Hypothetical" in the table, information is provided about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return. This information may not be used to estimate the actual ending account balance or expenses you paid for the period, but it can help you compare ongoing costs of investing in the Fund with those of other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of other funds.

Please note that expenses shown in the table are meant to highlight ongoing costs and do not reflect any transactional costs. Therefore, information under the heading "Hypothetical" is useful in comparing ongoing costs only, and will not help you compare total costs of owning different funds. In addition, if transactional costs were included, your total costs would have been higher.

	Beginning Account Value 2/1/17	Ending Account Value 7/31/17	Expenses Paid During Period 2/1/17–7/31/17[1,2]
Actual (actual return after expenses)	$1,000	$1,014.40	$2.65

	Ending Account Value 7/31/17	Expenses Paid During Period 2/1/17-7/31/17[1,2]	Net Annualized Expense Ratio[2]
Hypothetical (5% annual return before expenses)	$1,022.17	$2.66	0.53%

1. Expenses are equal to the annualized expense ratio for the six-month period as indicated above-in the far right column-multiplied by the simple average account value over the period indicated, and then multiplied by 181/365 to reflect the one-half year period.
2. Reflects expenses after fee waivers and expense reimbursements. Does not include acquired fund fees and expenses.

Appendix A (continued)

Franklin Floating Rate Master Trust

Board Members and Officers

The name, year of birth and address of the officers and board members, as well as their affiliations, positions held with the Trust, principal occupations during at least the past five years and number of U.S. registered portfolios overseen in the Franklin Templeton Investments fund complex, are shown below. Generally, each board member serves until that person's successor is elected and qualified.

Independent Board Members

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Harris J. Ashton (1932) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 1999	140	Bar-S Foods (meat packing company) (1981-2010).

Principal Occupation During at Least the Past 5 Years:
Director of various companies; and formerly, Director, RBC Holdings, Inc. (bank holding company) (until 2002); and President, Chief Executive Officer and Chairman of the Board, General Host Corporation (nursery and craft centers) (until 1998).

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Mary C. Choksi (1950) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2014	134	Avis Budget Group Inc. (car rental) (2007-present)and Omnicom Group Inc. (advertising and marketing communications services) (2011- present)

Principal Occupation During at Least the Past 5 Years:
Director of various companies; and formerly, Founder and Senior Advisor, Strategic Investment Group (investment management group) (2015-2017); Founding Partner and Senior Managing Director, Strategic Investment Group (1987-2015); Founding Partner and Managing Director, Emerging Markets Management LLC (investment management firm) (1987- 2011); and Loan Officer/Senior Loan Officer/Senior Pension Investment Officer, World Bank Group (international financial institution) (1977- 1987).

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Edith E. Holiday (1952) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 1999	140	Hess Corporation (exploration of oil and gas) (1993-present), Canadian National Railway (railroad) (2001-present), White Mountains Insurance Group, Ltd. (holding company) (2004- present), Santander Consumer USA Holdings, Inc. (consumer finance) (2016-present), RTI International Metals, Inc. (manufacture and distribution of titanium) (1999-2015) and H.J. Heinz Company (processed foods and allied products) (1994-2013).

Principal Occupation During at Least the Past 5 Years:
Director or Trustee of various companies and trusts; and formerly, Assistant to the President of the United States and Secretary of the Cabinet (1990-1993); General Counsel to the United States Treasury Department (1989-1990); and Counselor to the Secretary and Assistant Secretary for Public Affairs and Public Liaison-United States Treasury Department (1988-1989).

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
J. Michael Luttig (1954) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2009	140	Boeing Capital Corporation (aircraft financing) (2006-2013).

Principal Occupation During at Least the Past 5 Years:
Executive Vice President, General Counsel and member of the Executive Council, The Boeing Company (aerospace company) (2006-present); and formerly, Federal Appeals Court Judge, U.S. Court of Appeals for the Fourth Circuit (1991-2006).

Appendix A (continued)

Franklin Floating Rate Master Trust

Independent Board Members (continued)

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Larry D. Thompson (1945) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2007	140	The Southern Company (energy company) (2014-present; previously 2010-2012), Graham Holdings Company (education and media organization) (2011-present) and Cbeyond, Inc. (business communications provider) (2010-2012).

Principal Occupation During at Least the Past 5 Years:
Director of various companies; John A. Sibley Professor of Corporate and Business Law, University of Georgia School of Law (2015-present; previously 2011-2012); and formerly, Executive Vice President - Government Affairs, General Counsel and Corporate Secretary, PepsiCo, Inc. (consumer products) (2012-2014); Senior Vice President - Government Affairs, General Counsel and Secretary, PepsiCo, Inc. (2004- 2011); Senior Fellow of The Brookings Institution (2003-2004); Visiting Professor, University of Georgia School of Law (2004); and Deputy Attorney General, U.S. Department of Justice (2001-2003).

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
John B. Wilson (1959) One Franklin Parkway San Mateo, CA 94403-1906	Lead Independent Trustee	Trustee since 2007 and Lead Independent Trustee since 2008	114	None

Principal Occupation During at Least the Past 5 Years:
President and Founder, Hyannis Port Capital, Inc. (real estate and private equity investing)(2002-present); serves on private and non- profit boards; and formerly, President, Staples International and Head of Global Transformation (office supplies) (2012-2016); Chief Operating Officer and Executive Vice President, Gap, Inc. (retail) (1996-2000); Chief Financial Officer and Executive Vice President - Finance and Strategy, Staples, Inc. (1992-1996); Senior Vice President - Corporate Planning, Northwest Airlines, Inc. (airlines) (1990-1992); and Vice President and Partner, Bain & Company (consulting firm) (1986-1990).

Interested Board Members and Officers

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
**Gregory E. Johnson (1961) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2007	156	None

Principal Occupation During at Least the Past 5 Years:
Chairman of the Board, Member - Office of the Chairman, Director and Chief Executive Officer, Franklin Resources, Inc.; officer and/or director or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 44 of the investment companies in Franklin Templeton Investments; Vice Chairman, Investment Company Institute; and formerly, President, Franklin Resources, Inc. (1994-2015).

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
**Rupert H. Johnson, Jr. (1940) One Franklin Parkway San Mateo, CA 94403-1906	Chairman of the Board and Trustee	Since 2013	140	None

Principal Occupation During at Least the Past 5 Years:
Vice Chairman, Member - Office of the Chairman and Director, Franklin Resources, Inc.; Director, Franklin Advisers, Inc.; Senior Vice President, Franklin Advisory 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 42 of the investment companies in Franklin Templeton Investments.

Appendix A (continued)

Franklin Floating Rate Master Trust

Interested Board Members and Officers (continued)

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Alison E. Baur (1964) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2012	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Deputy General Counsel, Franklin Templeton Investments; and officer of some of the other subsidiaries of Franklin Resources, Inc. and of 45 of the investment companies in Franklin Templeton Investments.				
Mark Boyadjian (1964) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2003	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Senior Vice President, Franklin Advisers, Inc.; and officer of two of the investment companies in Franklin Templeton Investments.				
Gaston Gardey (1967) One Franklin Parkway San Mateo, CA 94403-1906	Chief Financial Officer, Chief Accounting Officer and Treasurer	Since 2009	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Treasurer, U.S. Fund Administration & Reporting, Franklin Templeton Investments; and officer of 27 of the investment companies in Franklin Templeton Investments.				
Aliya S. Gordon (1973) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2009	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Senior Associate General Counsel, Franklin Templeton Investments; and officer of 45 of the investment companies in Franklin Templeton Investments.				
Steven J. Gray (1955) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2009	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Senior Associate General Counsel, Franklin Templeton Investments; Vice President, Franklin Templeton Distributors, Inc. and FT AlphaParity, LLC; and officer of 45 of the investment companies in Franklin Templeton Investments.				
Matthew T. Hinkle (1971) One Franklin Parkway San Mateo, CA 94403-1906	Chief Executive Officer - Finance and Administration	Since June 2017	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Senior Vice President, U.S. Fund Administration Reporting & Fund Tax, Franklin Templeton Investments; officer of 45 of the investment companies in Franklin Templeton Investments; and formerly, Vice President, Global Tax (2012-April 2017) and Treasurer/Assistant Treasurer, Franklin Templeton Investments (2009-2017).				

Appendix A (continued)

Franklin Floating Rate Master Trust

Interested Board Members and Officers (continued)

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Robert Lim (1948) One Franklin Parkway San Mateo, CA 94403-1906	Vice President - AML Compliance	Since 2016	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Vice President, Franklin Templeton Companies, LLC; Chief Compliance Officer, Franklin Templeton Distributors, Inc. and Franklin Templeton Investor Services, LLC; and officer of 45 of the investment companies in Franklin Templeton Investments.				
Christopher J. Molumphy (1962) One Franklin Parkway San Mateo, CA 94403-1906	President and Chief Executive Officer - Investment Management	Since 2010	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Director and Executive Vice President, Franklin Advisers, Inc.; Executive Vice President, Franklin Templeton Institutional, LLC; and officer of some of the other subsidiaries of Franklin Resources, Inc. and of 22 of the investment companies in Franklin Templeton Investments.				
Kimberly H. Novotny (1972) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Vice President	Since 2013	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Associate General Counsel, Franklin Templeton Investments; Vice President and Corporate Secretary, Fiduciary Trust International of the South; Vice President, Templeton Investment Counsel, LLC; Assistant Secretary, Franklin Resources, Inc.; and officer of 45 of the investment companies in Franklin Templeton Investments.				
Robert C. Rosselot (1960) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Chief Compliance Officer	Since 2013	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Director, Global Compliance, Franklin Templeton Investments; Vice President, Franklin Templeton Companies, LLC; officer of 45 of the investment companies in Franklin Templeton Investments; and formerly, Senior Associate General Counsel, Franklin Templeton Investments (2007- 2013); and Secretary and Vice President, Templeton Group of Funds (2004-2013).				
Karen L. Skidmore (1952) One Franklin Parkway San Mateo, CA 94403-1906	Vice President and Secretary	Since 2006	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Senior Associate General Counsel, Franklin Templeton Investments; and officer of 45 of the investment companies in Franklin Templeton Investments.				
Navid J. Tofigh (1972) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2015	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Associate General Counsel, Franklin Templeton Investments; and officer of 45 of the investment companies in Franklin Templeton Investments.				

Appendix A (continued)

Franklin Floating Rate Master Trust

Interested Board Members and Officers (continued)

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Craig S. Tyle (1960) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2005	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: General Counsel and Executive Vice President, Franklin Resources, Inc.; and officer of some of the other subsidiaries of Franklin Resources, Inc. and of 45 of the investment companies in Franklin Templeton Investments.				
Lori A. Weber (1964) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Vice President	Since 2011	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Senior Associate General Counsel, Franklin Templeton Investments; Assistant Secretary, Franklin Resources, Inc.; Vice President and Secretary, Templeton Investment Counsel, LLC; and officer of 45 of the investment companies in Franklin Templeton Investments.				

* We base the number of portfolios on each separate series of the U.S. registered investment companies within the Franklin Templeton Investments fund complex. These portfolios have a common investment manager or affiliated investment managers.

** Gregory E. Johnson is considered to be an interested person of the Fund under the federal securities laws due to his position as an officer and director of Franklin Resources, Inc. (Resources), which is the parent company of the Fund's investment manager and distributor. Rupert H. Johnson, Jr. is considered to be an interested person of the Fund under the federal securities laws due to his position as officer and director and major shareholder of Resources.

Note 1: Rupert H. Johnson, Jr. is the uncle of Gregory E. Johnson.

Note 2: Officer information is current as of the date of this report. It is possible that after this date, information about officers may change.

Note 3: Effective November 1, 2016, Frank Olson ceased to be a trustee of the Trust.

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 has determined that there is at least one such financial expert on the Audit Committee and has designated John B. Wilson as its audit committee financial expert. The Board believes that Mr. Wilson qualifies as such an expert in view of his extensive business background and experience, including service as chief financial officer of Staples, Inc. from 1992 to 1996. Mr. Wilson has been a Member and Chairman of the Fund's Audit Committee since 2007. As a result of such background and experience, the Board believes that Mr. Wilson 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. Wilson is an independent Board member as that term is defined under the relevant Securities and Exchange Commission Rules and Releases.

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

Appendix A (continued)
Franklin Floating Rate Master Trust
Franklin Floating Rate Master Series
Shareholder Information

Board Approval of Investment Management Agreements

At an in-person meeting held on February 28, 2017 (Meeting), the Board of Trustees (Board) of Franklin Floating Rate Master Trust, including a majority of the trustees who are not "interested persons" as defined in the Investment Company Act of 1940 (Independent Trustees), reviewed and approved the continuance of the investment management agreement between Franklin Advisers, Inc. (Manager) and the Fund (Management Agreement) for an additional one-year period. The Independent Trustees received advice from and met separately with Independent Trustee counsel in considering whether to approve the continuation of the Management Agreement. In considering the continuation of the Management Agreement, the Board reviewed and considered information provided by the Manager at the Meeting and throughout the year at meetings of the Board and its committees. The Board also reviewed and considered information provided in response to a detailed set of requests for information submitted to the Manager by Independent Trustee counsel on behalf of the Independent Trustees in connection with the annual contract renewal process. In addition, prior to the Meeting, the Independent Trustees held a telephonic contract renewal meeting at which the Independent Trustees conferred amongst themselves and Independent Trustee counsel about contract renewal matters. The Board reviewed and considered all of the factors it deemed relevant in approving the continuance of the Management Agreement, including, but not limited to: (i) the nature, extent, and quality of the services provided by the Manager; (ii) the investment performance of the Fund; (iii) the costs of the services provided and profits realized by the Manager and its affiliates from the relationship with the Fund; (iv) the extent to which economies of scale are realized as the Fund grows; and (v) whether fee levels reflect these economies of scale for the benefit of Fund investors. In approving the continuance of the Management Agreement, the Board, including a majority of the Independent Trustees, determined that the existing management fees are fair and reasonable and that the continuance of such Management Agreement is in the interests of the Fund and its shareholders. While attention was given to all information furnished, the following discusses some primary factors relevant to the Board's determination.

Nature, Extent and Quality of Services. The Board reviewed and considered information regarding the nature, extent and quality of investment management services provided by the Manager and its affiliates to the Fund and its shareholders. This information included, among other things, the qualifications, background and experience of the senior management and investment personnel of the Manager; the structure of investment personnel compensation; oversight of third-party service providers; investment performance reports and related financial information for the Fund; reports on expenses, and shareholder services; legal and compliance matters; risk controls; pricing and other services provided by the Manager and its affiliates; and management fees charged by the Manager and its affiliates to U.S. funds and other accounts, including management's explanation of differences among accounts where relevant. The Board noted management's continual efforts and expenditures in establishing effective business continuity plans and developing strategies to address areas of heightened concern in the mutual fund industry, such as cybersecurity, derivatives and liquidity risk management. The Board also reviewed and considered the benefits provided to Fund shareholders of investing in a fund that is part of the Franklin Templeton family of funds. The Board noted the financial position of Franklin Resources, Inc. (FRI), the Manager's parent, and its commitment to the mutual fund business as evidenced by its continued introduction of new funds, reassessment of the fund offerings in response to the market environment and project initiatives and capital investments relating to the services provided to the Fund by the Franklin Templeton Investments (FTI) organization. Following consideration of such information, the Board was satisfied with the nature, extent and quality of services provided by the Manager and its affiliates to the Fund and its shareholders.

Fund Performance. The Board reviewed and considered the performance results of the Fund over various time periods ended December 31, 2016. The Board considered the performance returns for the Fund in comparison to the performance returns of mutual funds deemed comparable to the Fund included in a universe (Performance Universe) selected by Broadridge Financial Solutions, Inc. (Broadridge), an independent provider of investment company data. The Board received a description of the methodology used by Broadridge to select the mutual funds included in a Performance Universe. The Board also reviewed and considered Fund performance reports provided and discussions that occurred with portfolio managers at Board meetings throughout the year. A summary of the Fund's performance results is below. The Performance Universe for the Fund included the Fund and all retail and institutional loan participation funds. The Board noted that the Fund's annualized total return for the one- and 10- year periods was below the median of its Performance Universe, but for the three- and five-year periods was above the median of its Performance Universe. The Board concluded that the Fund's performance was acceptable. In doing so, the Board noted that the Fund's annualized total return was positive for each period, the Fund does not offer its shares to the public and the Fund's investor was exclusively an offshore Irish feeder fund.

Appendix A (continued)
Franklin Floating Rate Master Trust
Franklin Floating Rate Master Series
Board Approval of Investment Management Agreements (continued)

Comparative Fees and Expenses. The Board reviewed and considered information regarding the Fund's actual total expense ratio and its various components, including, as applicable, management fees; transfer agent expenses; underlying fund expenses; Rule 12b-1 and non-Rule 12b-1 service fees; and other non- management fees. The Board considered the actual total expense ratio and, separately, the contractual management fee rate, without the effect of fee waivers, if any (Management Rate) of the Fund in comparison to the median ratio and median Management Rate, respectively, of other mutual funds deemed comparable to and with a similar expense structure as the Fund selected by Broadridge (Expense Group). Broadridge fee and expense data is based upon information taken from the fund's most recent annual report, which reflects historical asset levels that may be quite different from those currently existing, particularly in a period of market volatility. While recognizing such inherent limitation and the fact that expense ratios and Management Rates generally increase as assets decline and decrease as assets grow, the Board believed the independent analysis conducted by Broadridge to be an appropriate measure of comparative fees and expenses. The Broadridge Management Rate includes administrative charges, and the actual total expense ratio, for comparative consistency, was shown for Class A shares for funds with multiple classes of shares. The Board received a description of the methodology used by Broadridge to select the mutual funds included in an Expense Group. The Expense Group for the Fund included the Fund and twelve other loan participation funds. The Board noted that the Management Rate and actual total expense ratio for the Fund were below the medians of its Expense Group. The Board concluded that the Management Rate charged to the Fund is fair and reasonable. In doing so, the Board noted that there was a change in the management fee schedule in 2015 and that the Fund's actual total expense ratio reflected a fee waiver from management.

Profitability. The Board reviewed and considered information regarding the profits realized by the Manager and its affiliates in connection with the operation of the Fund. In this respect, the Board considered the Fund profitability analysis provided by the Manager that addresses the overall profitability of FTI's U.S. fund business, as well as its profits in providing investment management and other services to each of the individual funds during the 12-month period ended September 30, 2016, being the most recent fiscal year-end for FRI. The Board noted that although management continually makes refinements to its methodologies used in calculating profitability in response to organizational and product related changes, the overall methodology has remained consistent with that used in the Fund's profitability report presentations from prior years. Additionally, the Fund's independent registered public accounting firm has been engaged by the Manager to periodically review the reasonableness of the allocation methodologies to be used solely by the Fund's Board with respect to the profitability analysis. The Board noted management's belief that costs incurred in establishing the infrastructure necessary for the type of mutual fund operations conducted by the Manager and its affiliates may not be fully reflected in the expenses allocated to the Fund in determining its profitability, as well as the fact that the level of profits, to a certain extent, reflected operational cost savings and efficiencies initiated by management. The Board also noted management's expenditures in improving shareholder services provided to the Fund, as well as the need to implement systems and meet additional regulatory and compliance requirements resulting from recent SEC and other regulatory requirements. The Board also considered the extent to which the Manager and its affiliates might derive ancillary benefits from fund operations, including revenues generated from transfer agent services, potential benefits resulting from personnel and systems enhancements necessitated by fund growth, as well as increased leverage with service providers and counterparties. Based upon its consideration of all these factors, the Board concluded that the level of profits realized by the Manager and its affiliates from providing services to the Fund was not excessive in view of the nature, quality and extent of services provided to the Fund.

Economies of Scale. The Board reviewed and considered the extent to which the Manager may realize economies of scale, if any, as the Fund grows larger and whether the Fund's management fee structure reflects any economies of scale for the benefit of shareholders. With respect to possible economies of scale, the Board noted the existence of management fee breakpoints, which operate generally to share any economies of scale with a Fund's shareholders by reducing the Fund's effective management fees as the Fund grows in size. The Board considered the Manager's view that any analyses of potential economies of scale in managing a particular fund are inherently limited in light of the joint and common costs and investments the Manager incurs across the Franklin Templeton family of funds as a whole. The Board concluded that to the extent economies of scale may be realized by the Manager and its affiliates, the Fund's management fee structure provided a sharing of benefits with the Fund and its shareholders as the Fund grows.

Conclusion. Based on its review, consideration and evaluation of all factors it believed relevant, including the above-described factors and conclusions, the Board unanimously approved the continuation of the Management Agreement for an additional one-year period.

Appendix A (continued)
Franklin Floating Rate Master Trust
Franklin Floating Rate Master Series

Proxy Voting Policies and Procedures

The Fund's investment manager 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 online at franklintempleton.com. Alternatively, shareholders may request copies of the Policies free of charge by calling the Proxy Group collect at (954) 527-7678 or by sending a written request to: Franklin Templeton Companies, LLC, 300 S.E. 2nd Street, Fort Lauderdale, FL 33301, Attention: Proxy Group. Copies of the Fund's proxy voting records are also made available online at franklintempleton.com and posted on the U.S. Securities and Exchange Commission's website at sec.gov and reflect the most recent 12-month period ended June 30.

Quarterly Statement of Investments

The Trust, on behalf of the Fund, files a complete statement of investments with the U.S. Securities and Exchange Commission for the first and third quarters for each fiscal year on Form N-Q. Shareholders may view the filed Form N-Q by visiting the Commission's website at sec.gov. The filed form may also be viewed and copied at the Commission's Public Reference Room in Washington, DC. Information regarding the operations of the Public Reference Room may be obtained by calling (800) SEC-0330.

Appendix A (continued)
Financial Statements of Franklin Floating Rate Master Trust
Franklin Floating Rate Master Series
Financial Highlights

Franklin Floating Rate Master Series	2017	2016	Year Ended July 31, 2015	2014	2013
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	$8.47	$8.65	$8.92	$8.93	$8.76
Income from investment operations[a]:					
Net investment income	0.332	0.419	0.391	0.299	0.347
Net realized and unrealized gains (losses)	0.221	(0.184)	(0.270)	(0.010)	0.169
Total from investment operations	0.553	0.235	0.121	0.289	0.516
Less distributions from net investment income	(0.333)	(0.415)	(0.391)	(0.299)	(0.346)
Net asset value, end of year	$8.69	$8.47	$8.65	$8.92	$8.93
Total return	6.71%	3.07%	1.30%	3.28%	5.94%
Ratios to average net assets					
Expenses before waiver and payments by affiliates	0.55%	0.55%	0.77%	0.92%	0.96%
Expenses net of waiver and payments by affiliates[b]	0.53%	0.53%	0.67%	0.80%	0.80%
Net investment income	3.78%	5.03%	4.43%	3.36%	3.77%
Supplemental data					
Net assets, end of year (000's)	$2,090,626	$1,363,955	$1,959,681	$2,260,151	$1,420,061
Portfolio turnover rate	67.00%	28.94%	62.43%	70.55%	61.33%

[a] The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund's shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

[b] Benefit of expense reduction rounds to less than 0.01%.

The accompanying notes are an integral part of these financial statements.

Appendix A (continued)
Financial Statements of Franklin Floating Rate Master Trust
Franklin Floating Rate Master Series
Statement of Investments, July 31, 2017

Franklin Floating Rate Master Series	Country	Shares	Value	% of Net Assets
Common Stocks				
Oil & Gas Exploration & Production				
[a]Samson Resources II LLC	United States	155,501	$3,343,271	0.16
Steel				
[b]Warrior Met Coal Inc.	United States	40,359	854,640	0.04
Total Common Stocks (Cost $7,937,218)			4,197,911	0.20
		Principal Amount*		
[c,d]**Senior Floating Rate Interests**				
Aerospace & Defense				
Avolon TLB Borrower I, Initial Term B-1 Loans, 3.478%, 7/20/20	United States	$ 7,000,000	7,033,747	0.34
Delos Finance S.A.R.L. (ILFC), New Loan, 3.546%, 10/06/23	Luxembourg	32,284,435	32,409,537	1.55
Digitalglobe Inc., Term Loan B, 3.984%, 1/15/24	United States	2,527,769	2,536,854	0.12
Doncasters U.S. Finance LLC,				
Second Lien Term Loan, 9.546%, 10/09/20	United States	3,923,627	3,805,919	0.18
Term B Loans, 4.796%, 4/09/20	United States	20,712,261	19,831,990	0.95
Flying Fortress Inc. (ILFC), New Loan, 3.546%, 10/30/22	Luxembourg	18,210,912	18,307,666	0.87
Leidos (Abacus Innovations Corp.), B Term Loan, 3.50%, 8/16/23	United States	1,583,424	1,598,104	0.08
			85,523,817	4.09
Agricultural Products				
Allflex Holdings III Inc., Second Lien Initial Term Loan, 8.307%, 7/16/21	United States	1,717,310	1,729,922	0.08
Air Freight & Logistics				
XPO Logistics Inc., Loans, 3.554%, 11/01/21	United States	8,683,186	8,729,737	0.42
Airlines				
Air Canada, Term Loan, 3.46%, 10/06/23	Canada	17,072,526	17,200,570	0.82
American Airlines Inc.,				
2017 Replacement Term Loans, 3.233%, 6/27/20	United States	7,941,690	7,962,537	0.38
Class B Term Loans, 3.734%, 4/28/23	United States	7,229,192	7,263,835	0.35
Class B Term Loans, 3.726%, 12/14/23	United States	16,098,633	16,175,777	0.77
United Airlines Inc., Class B Term Loans, 3.561%, 4/01/24	United States	2,579,666	2,597,724	0.13
			51,200,443	2.45
Apparel Retail				
Ascena Retail Group Inc., Tranche B Term Loan, 5.75%, 8/21/22	United States	51,411,396	42,928,516	2.05
Auto Parts & Equipment				
American Axle and Manufacturing Inc., Tranche B Term Loan, 3.49%, 4/06/24	United States	1,959,579	1,959,375	0.09
TI Group Automotive Systems LLC, Initial US Term Loan, 3.984%, 6/30/22	United States	20,085,532	20,173,406	0.97
			22,132,781	1.06
Automobile Manufacturers				
FCA U.S. LLC (Chrysler Group), Term Loan B, 3.23%, 12/31/18	United States	3,000,000	3,020,625	0.15

The accompanying notes are an integral part of these financial statements.

Appendix A (continued)
Financial Statements of Franklin Floating Rate Master Trust
Franklin Floating Rate Master Series

Statement of Investments, July 31, 2017

Franklin Floating Rate Master Series	Country	Principal Amount*	Value	% of Net Assets
[c,d]**Senior Floating Rate Interests** (continued)				
Broadcasting				
Gray Television Inc., Term B-2 Loan, 3.724%, 2/07/24	United States	10,413,142	10,496,447	0.50
Mission Broadcasting Inc., Term Loan B-2, 3.738%, 7/19/24	United States	558,701	563,066	0.03
Nexstar Broadcasting Inc.,				
[e]Term A-2 Loan, 5.75%, 7/19/22	United States	$1,854,785	$1,857,103	0.09
Term Loan B-2, 3.738%, 7/19/24	United States	4,570,136	4,605,842	0.22
Sinclair Television Group Inc., Tranche B Term Loans, 3.49%, 1/03/24	United States	1,912,233	1,917,404	0.09
[e]WXXA-TV LLC and WLAJ-TV LLC, Term Loan A-2, 5.25%, 7/19/22	United States	62,666	62,745	0.00†
			19,502,607	0.93
Cable & Satellite				
Charter Communications Operating LLC (CCO Safari), Term Loan A-1, 2.99%, 5/18/21	United States	13,516,750	13,546,919	0.65
CSC Holdings LLC (Cablevision), March 2017 Incremental Term Loans, 3.476%, 7/17/25	United States	21,921,531	21,921,531	1.05
Mediacom LLC/US, Tranche K Term Loan, 3.45%, 2/15/24	United States	4,275,179	4,309,914	0.20
UPC Financing Partnership (UPC Broadband Holdings BV), Facility AP, 3.976%, 4/15/25	United States	12,244,000	12,322,056	0.59
Virgin Media Bristol LLC, I Facility, 3.976%, 1/31/25	United States	15,350,757	15,443,507	0.74
			67,543,927	3.23
Casinos & Gaming				
Aristocrat Technologies Inc., Term B-2 Loans, 3.557%, 10/20/21	United States	4,488,189	4,512,048	0.22
Boyd Gaming Corp.,				
Refinancing Term B Loans, 3.694%, 9/15/23	United States	8,690,979	8,738,658	0.42
Term A Loan, 2.944%, 9/15/21	United States	2,313,936	2,316,828	0.11
[e]Caesars Entertainment Operating Co. LLC, Term B Loans, 5.75%, 8/31/24	United States	1,537,575	1,544,302	0.07
Eldorado Resorts Inc., Initial Term Loan, 3.563%, 4/17/24	United States	6,348,610	6,347,289	0.30
Greektown Holdings LLC, Initial Term Loan, 4.234%, 4/25/24	United States	8,452,193	8,474,642	0.40
Kingpin Intermediate Holdings LLC., Initial Term Loans, 5.48%, 7/03/24	United States	1,600,000	1,620,981	0.08
Las Vegas Sands LLC, Term B Loans, 3.23%, 3/29/24	United States	787,790	791,976	0.04
			34,346,724	1.64
Coal & Consumable Fuels				
Bowie Resource Holdings LLC, First Lien Initial Term Loan, 6.984%, 8/14/20	United States	15,824,072	15,322,972	0.73
Second Lien Initial Term Loan, 11.984%, 2/16/21	United States	2,232,389	2,090,074	0.10
[e]Foresight Energy LLC, Term Loans, 7.046%, 3/28/22	United States	25,077,577	24,304,360	1.16
Westmoreland Coal Co., Term Loan, 7.796%, 12/16/20	United States	3,710,158	3,297,403	0.16
			45,014,809	2.15
Commodity Chemicals				
Cyanco Intermediate Corp., Initial Term Loan, 5.734%, 5/01/20	United States	27,668,409	27,898,970	1.34
Ineos U.S. Finance LLC, 2024 Dollar Term Loan, 4.007%, 3/31/24	United States	9,144,144	9,207,723	0.44
			37,106,693	1.78

The accompanying notes are an integral part of these financial statements.

Appendix A (continued)
Financial Statements of Franklin Floating Rate Master Trust
Franklin Floating Rate Master Series

Statement of Investments, July 31, 2017

Franklin Floating Rate Master Series	Country	Principal Amount*	Value	% of Net Assets
[c,d]**Senior Floating Rate Interests** (continued)				
Communications Equipment				
Ciena Corp., Refinancing Term Loan, 3.728%, 1/28/22	United States	$8,766,141	$8,815,450	0.42
CommScope Inc., Tranche 5 Term Loans, 3.296%, 12/29/22	United States	11,044,021	11,106,144	0.53
			19,921,594	0.95
Construction Machinery & Heavy Trucks				
Allison Transmission Inc., Term Loans, 3.24%, 9/23/22	United States	19,957,982	20,109,743	0.96
Data Processing & Outsourced Services				
CIBT Global Inc., Initial Term Loan, 5.202%, 6/01/24	United States	3,946,746	3,971,414	0.19
Global Payments Inc., Term A-2 Loan, 2.944%, 5/02/22	United States	9,856,007	9,851,898	0.47
MoneyGram International Inc., Term Loan, 4.546%, 3/27/20	United States	9,403,707	9,411,540	0.45
[e]Neustar Inc., Term Loan B1, 6.50%, 9/01/19	United States	372,000	376,417	0.02
[e]Wex Inc., Term Loan B, 6.00%, 7/01/23	United States	2,107,113	2,131,947	0.10
			25,743,216	1.23
Diversified Chemicals				
Chemours Co., Tranche B-1 US Term Loans, 3.73%, 5/12/22	United States	22,768,041	22,985,042	1.10
Huntsman International LLC, Term Loan B, 3.984%, 10/01/21	United States	1,793,077	1,805,405	0.09
[e]OCI Beaumont LLC, Term B-3 Loan, 7.929%, 8/20/19	United States	16,171,128	16,292,412	0.78
Unifrax I LLC, Initial Dollar Term Loans, 5.046%, 4/04/24	United States	2,786,957	2,820,052	0.13
			43,902,911	2.10
Diversified Real Estate Activities				
Realogy Group LLC, Initial Term A Loans, 3.226%, 10/23/20	United States	6,648,587	6,669,198	0.32
Diversified Support Services				
Ventia Pty. Ltd., Term B Loans (USD), 4.796%, 5/21/22	Australia	3,927,214	3,976,304	0.19
Electric Utilities				
EFS Cogen Holdings I LLC (Linden), Term B Advance, 4.80%, 6/28/23	United States	2,377,871	2,403,136	0.12
Fertilizers & Agricultural Chemicals				
Mosaic Co., Term Loan A, 2.479%, 11/18/21	United States	2,299,581	2,296,707	0.11
Food Distributors				
Aramark Corp., U.S. Term A Loan, 2.984%, 3/28/22	United States	6,284,964	6,320,317	0.30
Food Retail				
Smart & Final LLC, First Lien Term Loan, 4.734% - 4.796%, 11/15/22	United States	5,991,237	5,866,422	0.28
Forest Products				
Appvion Inc., Term Loan, 7.75% - 7.79%, 6/28/19	United States	13,853,531	13,501,416	0.65
General Merchandise Stores				
99 Cents Only Stores, Tranche B-2 Loan, 4.702% - 4.796%, 1/11/19	United States	23,793,963	23,040,480	1.10
Dollar Tree Inc., Term A-1 Loans, 3.00%, 7/06/20	United States	3,645,317	3,637,297	0.17
Evergreen AcqCo. 1 LP (Savers), Term Loan, 5.011% - 5.064%, 7/09/19	United States	29,998,089	28,348,194	1.36
			55,025,971	2.63

The accompanying notes are an integral part of these financial statements.

Appendix A (continued)
Financial Statements of Franklin Floating Rate Master Trust
Franklin Floating Rate Master Series

Statement of Investments, July 31, 2017

Franklin Floating Rate Master Series	Country	Principal Amount*	Value	% of Net Assets
[c,d]**Senior Floating Rate Interests** (continued)				
Health Care Distributors				
Mallinckrodt International Finance SA/CB LLC, Extended Term Loan B, 4.046%, 9/24/24	United States	$10,334,100	$10,387,207	0.50
Health Care Facilities				
HCA Inc., Tranche A-5 Term Loan, 2.734%, 6/10/20	United States	9,631,712	9,652,786	0.46
Health Care Services				
DaVita Healthcare Partners Inc., Tranche A Term Loan, 3.234%, 6/24/19	United States	6,827,261	6,867,801	0.33
Envision Healthcare Corp. (Emergency Medical), Initial Term Loans, 4.30%, 12/01/23	United States	8,449,697	8,510,957	0.40
U.S. Renal Care Inc., Initial Term Loan, 5.546%, 12/31/22	United States	20,760,312	20,445,669	0.98
			35,824,427	1.71
Hotels, Resorts & Cruise Lines				
Hilton Worldwide Finance LLC, Series B-2 Term Loans, 3.232%, 10/25/23	United States	9,965,000	10,019,808	0.48
[e]Station Casinos LLC, Revolving Commitment, 5.75%, 6/08/21	United States	4,116,000	3,848,460	0.18
			13,868,268	0.66
Household Products				
Spectrum Brands Inc., USD Term Loans, 3.179% - 3.314%, 6/23/22	United States	12,963,922	13,048,188	0.62
Independent Power Producers & Energy Traders				
Calpine Construction Finance Co. LP, Term B-1 Loan, 3.49%, 5/03/20	United States	33,419,137	33,492,258	1.60
Calpine Corp., Term Loan (B5), 4.05%, 1/15/24	United States	9,197,580	9,240,726	0.44
Helix Gen Funding LLC, Term Loan, 4.96%, 6/02/24	United States	19,058,067	19,284,381	0.92
Lightstone Holdco LLC,				
Initial Term B Loan, 5.734%, 1/30/24	United States	12,298,572	12,192,878	0.59
Initial Term C Loan, 5.734%, 1/30/24	United States	766,326	759,740	0.04
NRG Energy Inc., Term Loans, 3.546%, 6/30/23	United States	40,407,909	40,526,951	1.94
			115,496,934	5.53
Industrial Machinery				
Harsco Corp., Initial Term Loan, 6.25%, 11/02/23	United States	1,575,373	1,607,374	0.08
Mueller Water Products Inc., Loans, 3.734% - 3.796%, 11/25/21	United States	5,205,308	5,255,191	0.25
Navistar Inc., Tranche B Term Loans, 5.23%, 8/07/20	United States	34,624,608	35,035,774	1.67
Onsite Rental Group Operations Pty. Ltd., Term B Loan, 5.732%, 7/31/21	Australia	20,624,223	15,468,167	0.74
			57,366,506	2.74
Integrated Telecommunication Services				
Consolidated Communications Inc., Initial Term Loan, 4.24%, 10/05/23	United States	2,060,159	2,066,339	0.10
Global Tel*Link Corp.,				
Second Lien Term Loan, 9.046%, 11/20/20	United States	3,374,143	3,372,034	0.16
[e]Term Loan, 5.296%, 5/23/20	United States	4,987,442	5,027,187	0.24
Securus Technologies Holdings Inc.,				
Second Lien Term Loan, 9.00%, 4/17/21	United States	666,667	671,528	0.03
[e]Second Lien Term Loan, 11.50%, 6/30/25	United States	817,114	823,073	0.04
Zayo Group LLC, 2017 Incremental Refinancing B-1 Term Loan, 3.227%, 1/19/21	United States	44,887,500	45,034,776	2.16
			56,994,937	2.73

The accompanying notes are an integral part of these financial statements.

APPENDIX A (CONTINUED)
FINANCIAL STATEMENTS OF FRANKLIN FLOATING RATE MASTER TRUST
Franklin Floating Rate Master Series

Statement of Investments, July 31, 2017

Franklin Floating Rate Master Series	Country	Principal Amount*	Value	% of Net Assets
[c,d]**Senior Floating Rate Interests** (continued)				
Internet Software & Services				
[e]Rackspace Hosting Inc., 2017 Refinancing Term B Loans, 4.172%, 11/03/23	United States	$5,132,219	$5,161,729	0.25
Investment Banking & Brokerage				
Finco I LLC, Initial Term Loans, 1.375%, 6/10/22	United States	11,000,000	11,149,534	0.53
IT Consulting & Other Services				
Gartner Inc., Tranche A Term Loans, 3.234%, 3/20/22	United States	1,589,766	1,598,709	0.08
Sungard Availability Services Capital Inc., 2019 Tranche B Term Loan, 6.234%, 3/29/19	United States	26,400,995	26,103,984	1.25
			27,702,693	1.33
Leisure Facilities				
24 Hour Fitness Worldwide Inc., Term Loan, 5.046%, 5/28/21	United States	19,158,894	19,140,693	0.92
Fitness International LLC, Term A Loan, 4.484%, 4/01/20	United States	18,611,401	18,628,858	0.89
			37,769,551	1.81
Life Sciences Tools & Services				
[e]INC Research Holdings Inc., Initial Term B Loans, 5.50%, 8/01/24	United States	6,856,663	6,901,663	0.33
Quintiles IMS Inc., Term B-1 Dollar Loans, 3.202% - 3.296%, 3/02/24	United States	10,447,500	10,542,186	0.50
			17,443,849	0.83
Marine				
Navios Maritime Partners LP, Initial Term Loan, 6.25%, 9/14/20	Greece	7,801,250	7,820,753	0.37
Metal & Glass Containers				
Owens-Brockway Glass Container Inc., Term A Loan, 2.976% - 2.984%, 4/22/20	United States	11,901,538	11,916,414	0.57
Movies & Entertainment				
AMC Entertainment Holdings Inc., 2016 Incremental Term Loans, 3.476%, 12/15/23	United States	1,618,209	1,624,278	0.08
Cinemark USA Inc., Amended Term Loan Facility, 3.21%, 5/08/22	United States	590,363	592,577	0.03
[e]Global Eagle Entertainment Inc., Initial Term Loans, 8.456%, 1/06/23	United States	1,824,000	1,779,540	0.08
Lions Gate Entertainment Corp., Term A Loan, 3.234%, 12/08/21	United States	38,072,408	38,227,096	1.83
Live Nation Entertainment Inc., Term B-3 Loans, 3.50%, 10/21/23	United States	3,309,812	3,332,050	0.16
Regal Cinemas Corp., Term Loan, 3.234%, 4/01/22	United States	16,905,358	16,972,709	0.81
			62,528,250	2.99
Office Services & Supplies				
Conduent Business Services LLC, Delayed Draw Term A Loan, 3.484%, 12/07/21	United States	4,000,000	4,006,500	0.19
Oil & Gas Exploration & Production				
Cantium LLC, Commitment, 7.26%, 6/13/20	United States	5,000,000	4,975,000	0.24
Fieldwood Energy LLC, Loans, 4.171%, 10/01/18	United States	56,133,110	54,063,202	2.59
UTEX Industries Inc., First Lien Initial Term Loan, 5.234%, 5/21/21	United States	23,520,302	21,182,972	1.01
			80,221,174	3.84

The accompanying notes are an integral part of these financial statements.

Appendix A (continued)
Financial Statements of Franklin Floating Rate Master Trust
Franklin Floating Rate Master Series

Statement of Investments, July 31, 2017

Franklin Floating Rate Master Series	Country	Principal Amount*	Value	% of Net Assets
[c,d]**Senior Floating Rate Interests** (continued)				
Oil & Gas Storage & Transportation				
Energy Transfer Equity LP, Loans, 3.974%, 2/02/24	United States	$7,611,141	$7,648,405	0.37
International Seaways Inc., Initial Term Loans, 6.79%, 6/22/22	United States	3,911,076	3,886,632	0.19
OSG Bulk Ships Inc., Initial Term Loan, 5.43%, 8/05/19	United States	8,918,069	8,483,313	0.40
Strike LLC, Term Loan, 9.296%, 11/30/22	United States	3,022,500	3,098,063	0.15
			23,116,413	1.11
Packaged Foods & Meats				
[e]American Seafoods LLC, Fitst Lien Term Loan, 6.50%, 8/21/23	United States	3,040,000	3,052,668	0.14
CSM Bakery Supplies LLC,				
Second Lien Term Loan, 9.05%, 7/03/21	United States	7,271,086	6,416,733	0.31
Term Loans, 5.30%, 7/03/20	United States	4,712,082	4,572,685	0.22
JBS USA LUX SA, New Initial Term Loans, 3.757% - 3.804%, 10/30/22	Brazil	28,446,035	28,232,690	1.35
Pinnacle Foods Finance LLC, Initial Term Loans, 3.227%, 2/03/24	United States	1,265,014	1,271,869	0.06
Post Holdings Inc., Series A Incremental Term Loan, 3.49%, 5/24/24	United States	8,261,290	8,303,885	0.40
			51,850,530	2.48
Paper Packaging				
Caraustar Industries Inc., Refinancing Term Loans, 6.796%, 3/14/22	United States	12,797,800	12,901,782	0.62
Personal Products				
Coty Inc., Term A Loan, 2.977%, 10/27/20	United States	16,655,844	16,635,024	0.79
FGI Operating Co. LLC (Freedom Group), Term B Loans, 5.50%, 4/19/19	United States	44,011,849	40,894,358	1.96
			57,529,382	2.75
Pharmaceuticals				
Endo Luxembourg Finance Co. I S.A.R.L. and Endo LLC, Initial Term Loans, 5.50%, 4/27/24	United States	20,967,217	21,313,553	1.02
Grifols Worldwide Operations USA Inc., Tranche B Term Loan, 3.444%, 1/31/25	United States	16,624,183	16,723,363	0.80
Horizon Pharma Inc., Second Amendment Refinancing Term Loans, 5.00%, 3/29/24	United States	5,969,770	6,008,949	0.29
RPI Finance Trust,				
Term A-3 Loan, 3.046%, 10/14/21	United States	4,265,322	4,273,319	0.21
Term B-6 Term Loan, 3.296%, 3/27/23	United States	5,278,478	5,309,405	0.25
Valeant Pharmaceuticals International Inc., Series F Tranche B Term Loan, 5.98%, 4/01/22	United States	22,213,987	22,645,983	1.08
			76,274,572	3.65
Restaurants				
KFC Holding Co./Pizza Hut Holdings LLC/Taco Bell of America LLC, Term B Loans, 3.226%, 6/16/23	United States	4,470,769	4,498,712	0.21
NPC International Inc., Second Lien Initial Term Loan, 8.727%, 4/20/25	United States	4,842,941	4,921,638	0.24
			9,420,350	0.45
Retail REITs				
Capital Automotive LP, Tranche B-2 Term Loan, 4.24%, 3/24/24	United States	4,522,542	4,571,159	0.22
Semiconductor Equipment				
MKS Instruments Inc., Tranche B-3 Term Loans, 3.484%, 4/29/23	United States	1,114,678	1,123,734	0.05

The accompanying notes are an integral part of these financial statements.

Appendix A (continued)
Financial Statements of Franklin Floating Rate Master Trust
Franklin Floating Rate Master Series

Statement of Investments, July 31, 2017

Franklin Floating Rate Master Series	Country	Principal Amount*	Value	% of Net Assets
[c,d]**Senior Floating Rate Interests** (continued)				
Semiconductors				
[e]MACOM Technology Solutions Holdings Inc., Initial Term Loans, 3.478%, 5/07/24	United States	$17,856,199	$17,856,199	0.85
ON Semiconductor Corp., 2017 Replacement Term Loans, 3.484%, 3/31/23	United States	9,104,029	9,148,411	0.44
			27,004,610	1.29
Specialized Consumer Services				
Avis Budget Car Rental LLC, Tranche B Term Loan, 3.30%, 3/15/22	United States	17,450,040	17,412,958	0.83
NVA Holdings Inc.,				
Second Lien Term Loan, 8.296%, 8/14/22	United States	2,165,278	2,192,344	0.10
Term B-2 Loans, 4.796%, 8/14/21	United States	6,587,609	6,653,485	0.32
Sabre GLBL Inc.,				
Incremental Term A Loan, 3.734%, 7/18/21	United States	12,945,253	12,961,435	0.62
Term B Loan, 3.984%, 2/22/24	United States	1,558,001	1,572,190	0.08
			40,792,412	1.95
Specialty Chemicals				
Ashland LLC, Term B Loan, 3.224% - 3.242%, 5/17/24	United States	1,955,549	1,968,587	0.09
Axalta Coating Systems U.S. Holdings Inc., Term B-2 Dollar Loans, 3.296%, 6/01/24	United States	7,625,927	7,666,222	0.37
KMG Chemicals Inc., Initial Term Loan, 5.484%, 6/15/24	United States	2,474,172	2,506,677	0.12
Oxbow Carbon LLC,				
Second Lien Initial Term Loan, 8.234%, 1/17/20	United States	14,400,462	14,490,465	0.69
Tranche B Term Loan, 4.734%, 1/19/20	United States	4,986,795	5,049,130	0.24
Solenis International LP and Solenis Holdings 3 LLC, Second Lien Term Loan, 7.952%, 7/31/22	United States	3,270,000	3,286,860	0.16
			34,967,941	1.67
Specialty Stores				
General Nutrition Centers Inc., Tranche B Term Loans, 3.74%, 3/04/19	United States	21,968,813	21,273,127	1.02
[e]Jo-Ann Stores Inc., Initial Loans, 8.25%, 10/21/23	United States	3,329,275	3,332,744	0.16
PetSmart Inc., Tranche B-2 Loans, 4.23%, 3/11/22	United States	45,101,251	42,876,947	2.05
			67,482,818	3.23
Technology Distributors				
Dell International LLC,				
Term A-1 Loan, 3.24%, 12/31/18	United States	4,809,784	4,816,100	0.23
Term A-3 Loan, 3.24%, 12/31/18	United States	37,317,997	37,407,970	1.79
			42,224,070	2.02
Technology Hardware, Storage & Peripherals				
Western Digital Corp.,				
Term A Loan, 3.233%, 4/29/21	United States	10,219,643	10,278,406	0.49
US Term B-2 Loan, 3.983%, 4/29/23	United States	3,321,832	3,351,675	0.16
			13,630,081	0.65
Tires & Rubber				
The Goodyear Tire & Rubber Co., Second Lien Term Loan, 3.23%, 4/30/19	United States	7,437,937	7,473,579	0.36

The accompanying notes are an integral part of these financial statements.

Appendix A (continued)
Financial Statements of Franklin Floating Rate Master Trust
Franklin Floating Rate Master Series

Statement of Investments, July 31, 2017

Franklin Floating Rate Master Series	Country	Principal Amount*	Value	% of Net Assets
[c,d]**Senior Floating Rate Interests** (continued)				
Trucking				
The Hertz Corp., Tranche B-1 Term Loan, 3.99%, 6/30/23	United States	$31,223,360	$31,201,410	1.49
Pilot Travel Centers LLC, Initial Tranche B Term Loans, 3.234%, 5/25/23	United States	8,059,500	8,123,976	0.39
			39,325,386	1.88
Total Senior Floating Rate Interests (Cost $1,722,826,340)			1,712,566,055	81.91
Asset-Backed Securities				
Other Diversified Financial Services				
[f]Apidos CDO, 2013-14A, C2, 144A, 4.85%, 4/15/25	United States	1,110,000	1,113,397	0.05
[c,f]Ballyrock CLO LLC, 2014-1A, BR, 144A, FRN, 3.407%, 10/20/26	United States	2,100,000	2,104,242	0.10
[c,f]Birchwood Park CLO Ltd., 2014-1A, AR, 144A, FRN, 2.484%, 7/15/26	United States	8,625,000	8,635,609	0.41
[c,f]BlueMountain CLO Ltd., 2012-2A, AR, 144A, FRN, 2.592%, 11/20/28	United States	10,790,000	10,835,210	0.52
[c,f]Bristol Park CLO Ltd., 2016-1A, A, 144A, FRN, 2.724%, 4/15/29	United States	22,000,000	22,003,080	1.05
[c,f]Carlyle Global Market Strategies CLO Ltd.,				
2014-2A, AR, 144A, FRN, 2.432%, 5/15/25	United States	3,200,000	3,205,504	0.15
2015-2A, A1, 144A, FRN, 2.787%, 4/27/27	United States	2,800,000	2,799,300	0.13
[c,f]Carlyle U.S. CLO Ltd., 2017-1A, A1A, 144A, FRN, 2.461%, 4/20/31	United States	12,600,000	12,635,028	0.61
[c,f]Cent CLO LP,				
2013-17A, B, 144A, FRN, 4.311%, 1/30/25	United States	800,000	801,584	0.04
2014-22A, A1R, 144A, FRN, 2.589%, 11/07/26	United States	7,510,000	7,568,202	0.36
2014-22A, BR, 144A, FRN, 4.129%, 11/07/26	United States	3,200,000	3,236,448	0.16
[c,f]Eaton Vance CDO Ltd., 2014-1A, AR, 144A, FRN, 2.504%, 7/15/26	United States	2,650,000	2,654,902	0.13
[f]Emerson Park CLO Ltd., 2013-1A, C2R, 144A, 4.055%, 7/15/25	United States	1,100,000	1,105,104	0.05
[c,f]Flatiron CLO Ltd., 2014-1A, A1R, 144A, FRN, 2.338%, 7/17/26	United States	21,500,000	21,554,180	1.03
[f]Highbridge Loan Management Ltd., 2013-2A, B2, 144A, 5.80%, 10/20/24	United States	1,190,000	1,195,474	0.06
[c,f]LCM XXI LP, 21A, A, 144A, FRN, 2.857%, 4/20/28	United States	11,630,000	11,702,455	0.56
[c,f]LCM XXIV Ltd., 24A, A, 144A, FRN, 2.617%, 3/20/30	United States	26,400,000	26,525,664	1.27
[f,g,h] LCM XXV Ltd.,				
25A, B2, 144A, FRN, 7/20/30	United States	4,075,000	4,075,000	0.20
25A, C2, 144A, FRN, 7/20/30	United States	1,625,000	1,625,000	0.08
[c,f]Madison Park Funding Ltd., 2016-21A, A1, 144A, FRN, 2.844%, 7/25/29	United States	7,100,000	7,210,618	0.35
[c,f]Magnetite XIV Ltd., 2015-14A, A, 144A, FRN, 2.694%, 7/18/28	United States	1,460,000	1,470,468	0.07
[c,f]Octagon Investment Partners 24 Ltd., 2015-1A, A1, 144A, FRN, 2.622%, 5/21/27	United States	1,530,000	1,530,536	0.07
[c,f]Octagon Investment Partners 30 Ltd., 144A, FRN, 2.627%, 3/17/30	United States	11,942,857	11,974,744	0.57
[c,f]Octagon Investment Partners 31 LLC, 2017-1A, C, 144A, FRN, 3.61%, 7/20/30	United States	2,288,855	2,290,137	0.11
[c,f]Octagon Investment Partners XIX Ltd., 2014-14, AR, 144A, FRN, 2.404%, 4/15/26	United States	13,530,000	13,516,064	0.65
[c,f]TCI-Cent CLO Income Note Issuer Ltd., 2017-1A, B, 144A, FRN, 3.663%, 7/25/30	United States	3,000,000	3,000,000	0.14

The accompanying notes are an integral part of these financial statements.

APPENDIX A (CONTINUED)
FINANCIAL STATEMENTS OF FRANKLIN FLOATING RATE MASTER TRUST
Franklin Floating Rate Master Series

Statement of Investments, July 31, 2017

Franklin Floating Rate Master Series	Country	Principal Amount*	Value	% of Net Assets
Asset-Backed Securities (continued)				
Other Diversified Financial Services (continued)				
[c,f]Voya CLO Ltd.,				
2017-3A, B, 144A, FRN, 3.668%, 7/20/30	United States	$2,508,761	$2,507,306	0.12
2015-1A, A1, 144A, FRN, 2.784%, 4/18/27	United States	3,210,000	3,219,277	0.15
			192,094,533	9.19
Total Asset-Backed Securities (Cost $191,551,564)			192,094,533	9.19
Total Investments before Short Term Investments (Cost $1,922,315,122)			1,908,858,499	91.30
Short Term Investments				
[c,d]**Senior Floating Rate Interests (Cost $129,530)**				
Broadcasting				
[e]Marshall Broadcasting Group Inc.,				
Term Loan A-2, 5.25%, 6/28/18	United States	129,628	129,790	0.01
Repurchase Agreements (Cost $220,626,522)				
[i]Joint Repurchase Agreement, 1.037%, 8/01/17 (Maturity Value $220,632,874) BNP Paribas Securities Corp. (Maturity Value $131,660,461) Deutsche Bank Securities Inc. (Maturity Value $13,266,655) HSBC Securities (USA) Inc. (Maturity Value $65,830,231) Merrill Lynch, Pierce, Fenner & Smith Inc. (Maturity Value $9,875,527) Collateralized by U.S. Government Agency Securities, 1.25% - 1.625%, 7/27/18 - 8/15/19; U.S. Treasury Note, 1.125% - 2.625%, 11/15/20 - 2/28/21; and U.S. Treasury Note, Index Linked, 0.125%, 4/15/18 (valued at $225,059,877)	United States	220,626,522	220,626,522	10.55
Total Investments (Cost $2,143,071,174)			2,129,614,811	101.86
Other Assets, less Liabilities			(38,988,472)	(1.86)
Net Assets			$2,090,626,339	100.00

† Rounds to less than 0.01% of net assets.
* The principal amount is stated in U.S. dollars unless otherwise indicated.
[a] Non-income producing.
[b] See Note 8 regarding restricted securities.
[c] The coupon rate shown represents the rate at period end.
[d] See Note 1(e) regarding senior floating rate interests.
[e] A portion or all of the security purchased on a delayed delivery basis. See Note 1(c).
[f] Security was purchased pursuant to Rule 144A under the Securities Act of 1933 and may be sold in transactions exempt from registration only to qualified institutional buyers or in a public offering registered under the Securities Act of 1933. These securities have been deemed liquid under guidelines approved by the Trust's Board of Trustees.
[g] The coupon rate will be determined at time of issue.
[h] Security purchased on a when-issued basis. See Note 1(c).
[i] See Note 1(b) regarding joint repurchase agreement.

At July 31, 2017, the Fund had the following credit default swap contracts outstanding. See Note 1(d).

The accompanying notes are an integral part of these financial statements.

Appendix A (continued)
Financial Statements of Franklin Floating Rate Master Trust
Franklin Floating Rate Master Series

Credit Default Swap Contracts

Description	Periodic Payment Rate	Exchange	Notional Amount	Expiration Date	Unamortized Upfront Payments (Receipts)	Unrealized Appreciation	Unrealized Depreciation	Value	Rating
Centrally Cleared Swap Contracts									
Contracts to Buy Protection									
Traded Index									
CDX.NA.HY.26	5.00%	ICE	$26,631,000	6/20/21	$(1,951,821)	$ –	$(393,336)	$(2,345,157)	

See Note 10 regarding other derivative information.
See Abbreviations on page 32.

The accompanying notes are an integral part of these financial statements.

Appendix A (continued)
Financial Statements of Franklin Floating Rate Master Trust
Franklin Floating Rate Master Series

Statement of Assets and Liabilities, July 31, 2017

	For the Year ended July 31, 2017 USD
Assets:	
Investments in securities:	
Cost – Unaffiliated issuers	$1,922,444,652
Cost – Repurchase agreements	220,626,522
Total cost of investments	$2,143,071,174
Value – Unaffiliated issuers	$1,908,988,289
Value – Repurchase agreements	220,626,522
Total value of investments	2,129,614,811
Cash	2,699,619
Receivables:	
Dividends and interest	3,948,266
Due from brokers	481,198
Unrealized appreciation on unfunded loan commitments (Note 9)	408,925
Other assets	991
Total assets	2,137,153,810
Liabilities:	
Payables:	
Investment securities purchased	38,585,076
Management fees	990,554
Distributions to shareholders	6,565,726
Variation margin	8,694
Accrued expenses and other liabilities	377,421
Total liabilities	46,527,471
Net assets, at value	$2,090,626,339
Net assets consist of:	
Paid-in capital	$2,287,596,390
Undistributed net investment income	1,102,329
Net unrealized appreciation (depreciation)	(13,440,774)
Accumulated net realized gain (loss)	(184,631,606)
Net assets, at value	$2,090,626,339
Net asset value and maximum offering price per share ($2,090,626,339÷240,440,405 shares outstanding)	$8.69

The accompanying notes are an integral part of these financial statements.

Appendix A (continued)
Financial Statements of Franklin Floating Rate Master Trust
Franklin Floating Rate Master Series

Statement of Operations for the year ended July 31, 2017

	For the Year ended July 31, 2017 USD
Investment income:	
Dividends	$ 136,936
Interest	75,944,700
Total investment income	76,081,636
Expenses:	
Management fees (Note 3a)	9,343,561
Custodian fees (Note 4)	16,373
Reports to shareholders	6,014
Registration and filing fees	219
Professional fees	233,805
Trustees' fees and expenses	60,350
Other	39,748
Total expenses	9,700,070
Expense reductions (Note 4)	(7,734)
Expenses waived/paid by affiliates (Note 3d)	(348,195)
Net expenses	9,344,141
Net investment income	66,737,495
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments	(21,072,024)
Swap contracts	(309,370)
Net realized gain (loss)	(21,381,394)
Net change in unrealized appreciation (depreciation) on:	
Investments	57,523,967
Swap contracts	(393,336)
Net change in unrealized appreciation (depreciation)	57,130,631
Net realized and unrealized gain (loss)	35,749,237
Net increase (decrease) in net assets resulting from operations	$102,486,732

The accompanying notes are an integral part of these financial statements.

Appendix A (continued)
Financial Statements of Franklin Floating Rate Master Trust
Franklin Floating Rate Master Series

Statements of Changes in Net Assets

	Year Ended July 31,	
	2017	2016
Increase (decrease) in net assets:		
Operations:		
Net investment income	$ 66,737,495	$ 83,874,897
Net realized gain (loss)	(21,381,394)	(41,087,672)
Net change in unrealized appreciation (depreciation)	57,130,631	(18,764,386)
Net increase (decrease) in net assets resulting from operations	102,486,732	24,022,839
Distributions to shareholders from net investment income	(66,380,751)	(83,323,507)
Capital share transactions (Note 2)	690,565,052	(536,424,977)
Net increase (decrease) in net assets	726,671,033	(595,725,645)
Net assets:		
Beginning of year	1,363,955,306	1,959,680,951
End of year	$ 2,090,626,339	$1,363,955,306
Undistributed net investment income included in net assets:		
End of year	$ 1,102,329	$ 900,126

The accompanying notes are an integral part of these financial statements.

Appendix A (continued)
Financial Statements of Franklin Floating Rate Master Trust
Franklin Floating Rate Master Series

Notes to Financial Statements

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Franklin Floating Rate Master Trust (Trust) is registered under the Investment Company Act of 1940 (1940 Act) as an open-end management investment company, consisting of three separate funds and applies the specialized accounting and reporting guidance in U.S. Generally Accepted Accounting Principles (U.S. GAAP). Franklin Floating Rate Master Series (Fund) is included in this report. The financial statements of the remaining funds in the Trust are presented separately. The Fund's shares are exempt from registration under the Securities Act of 1933.

The following summarizes the Fund's significant accounting policies.

a. Financial Instrument Valuation

The Fund's investments in financial instruments are carried at fair value daily. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The Fund calculates the net asset value (NAV) per share as of 4 p.m. Eastern time each day the New York Stock Exchange (NYSE) is open for trading. Under compliance policies and procedures approved by the Trust's Board of Trustees (the Board), the Fund's administrator has responsibility for oversight of valuation, including leading the cross-functional Valuation Committee (VC). The VC provides administration and oversight of the Fund's valuation policies and procedures, which are approved annually by the Board. Among other things, these procedures allow the Fund to utilize independent pricing services, quotations from securities and financial instrument dealers, and other market sources to determine fair value.

Equity securities listed on an exchange or on the NASDAQ National Market System are valued at the last quoted sale price or the official closing price of the day, respectively. Over-the-counter (OTC) securities are valued within the range of the most recent quoted bid and ask prices. Securities that trade in multiple markets or on multiple exchanges are valued according to the broadest and most representative market. Certain equity securities are valued based upon fundamental characteristics or relationships to similar securities.

Debt securities generally trade in the OTC market rather than on a securities exchange. The Fund's pricing services use multiple valuation techniques to determine fair value. In instances where sufficient market activity exists, the pricing services may utilize a market-based approach through which quotes from market makers are used to determine fair value. In instances where sufficient market activity may not exist or is limited, the pricing services also utilize proprietary valuation models which may consider market characteristics such as benchmark yield curves, credit spreads, estimated default rates, anticipated market interest rate volatility, coupon rates, anticipated timing of principal repayments, underlying collateral, and other unique security features in order to estimate the relevant cash flows, which are then discounted to calculate the fair value.

Investments in repurchase agreements are valued at cost, which approximates fair value.

Certain derivative financial instruments are centrally cleared or trade in the OTC market. The Fund's pricing services use various techniques including industry standard option pricing models and proprietary discounted cash flow models to determine the fair value of those instruments. The Fund's net benefit or obligation under the derivative contract, as measured by the fair value of the contract, is included in net assets.

The Fund has procedures to determine the fair value of financial instruments for which market prices are not reliable or readily available. Under these procedures, the VC convenes on a regular basis to review such financial instruments and considers a number of factors, including significant unobservable valuation inputs, when arriving at fair value. The VC primarily employs a market-based approach which may use related or comparable assets or liabilities, recent transactions, market multiples, book values, and other relevant information for the investment to determine the fair value of the investment. An income-based valuation approach may also be used in which the anticipated future cash flows of the investment are discounted to calculate fair value. Discounts may also be applied due to the nature or duration of any restrictions on the disposition of the investments. Due to the inherent uncertainty of valuations of such investments, the fair values may differ significantly from the values that would have been used had an active market existed. The VC employs various methods for calibrating these valuation approaches including a regular review of key inputs and assumptions, transactional back-testing or disposition analysis, and reviews of any related market activity.

Appendix A (continued)
Financial Statements of Franklin Floating Rate Master Trust
Franklin Floating Rate Master Series

Notes to Financial Statements (continued)

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Joint Repurchase Agreement

The Fund enters into a joint repurchase agreement whereby its uninvested cash balance is deposited into a joint cash account with other funds managed by the investment manager or an affiliate of the investment manager and is used to invest in one or more repurchase agreements. The value and face amount of the joint repurchase agreement are allocated to the funds based on their pro-rata interest. A repurchase agreement is accounted for as a loan by the Fund to the seller, collateralized by securities which are delivered to the Fund's custodian. The fair value, including accrued interest, of the initial collateralization is required to be at least 102% of the dollar amount invested by the funds, with the value of the underlying securities marked to market daily to maintain coverage of at least 100%. Repurchase agreements are subject to the terms of Master Repurchase Agreements (MRAs) with approved counterparties (sellers).

The MRAs contain various provisions, including but not limited to events of default and maintenance of collateral for repurchase agreements. In the event of default by either the seller or the Fund, certain MRAs may permit the non-defaulting party to net and close-out all transactions, if any, traded under such agreements. The Fund may sell securities it holds as collateral and apply the proceeds towards the repurchase price and any other amounts owed by the seller to the Fund in the event of default by the seller. This could involve costs or delays in addition to a loss on the securities if their value falls below the repurchase price owed by the seller. The joint repurchase agreement held by the Fund at year end, as indicated in the Statement of Investments, had been entered into on July 31, 2017.

c. Securities Purchased on a When-Issued or Delayed Delivery Basis

The Fund purchases 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. Sufficient assets have been segregated for these securities.

d. Derivative Financial Instruments

The Fund invested in derivative financial instruments in order to manage risk or gain exposure to various other investments or markets. Derivatives are financial contracts based on an underlying or notional amount, require no initial investment or an initial net investment that is smaller than would normally be required to have a similar response to changes in market factors, and require or permit net settlement. Derivatives contain various risks including the potential inability of the counterparty to fulfill their obligations under the terms of the contract, the potential for an illiquid secondary market, and/or the potential for market movements which expose the Fund to gains or losses in excess of the amounts shown in the Statement of Assets and Liabilities. Realized gain and loss and unrealized appreciation and depreciation on these contracts for the period are included in the Statement of Operations.

Collateral requirements differ by type of derivative. Collateral or initial margin requirements are set by the broker or exchange clearing house for exchange traded and centrally cleared derivatives. Initial margin deposited is held at the exchange and can be in the form of cash and/or securities.

The Fund entered into credit default swap contracts primarily to manage and/or gain exposure to credit risk. A credit default swap is an agreement between the Fund and a counterparty whereby the buyer of the contract receives credit protection and the seller of the contract guarantees the credit worthiness of a referenced debt obligation. These agreements may be privately negotiated in the over-the-counter market (OTC credit default swaps) or may be executed in a multilateral trade facility platform, such as a registered exchange (centrally cleared credit default swaps). The underlying referenced debt obligation may be a single issuer of corporate or sovereign debt, a credit index, a basket of issuers or indices, or a tranche of a credit index or basket of issuers or indices. In the event of a default of the underlying referenced debt obligation, the buyer is entitled to receive the notional amount of the credit default swap contract from the seller in exchange for the referenced debt obligation, a net settlement amount equal to the notional amount of the credit default swap less the recovery value of the referenced debt obligation, or other agreed upon amount. For centrally cleared credit default swaps, required initial margins are pledged by the Fund, and the daily change in fair value is accounted for as a variation margin payable or receivable in the Statement of Assets and Liabilities. Over the term of the contract, the buyer pays the seller a periodic stream of payments, provided that no event of default has occurred. Such periodic payments are accrued daily as an unrealized appreciation or depreciation until the payments are made, at which time they are realized. Upfront payments and receipts are reflected in the Statement of Assets and Liabilities and represent compensating factors between stated terms of the credit default swap agreement and prevailing market conditions (credit spreads and other relevant factors).

These upfront payments and receipts are amortized over the term of the contract as a realized gain or loss in the Statement of Operations.

See Note 10 regarding other derivative information.

Appendix A (continued)
Financial Statements of Franklin Floating Rate Master Trust
Franklin Floating Rate Master Series

Notes to Financial Statements (continued)

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

e. Senior Floating Rate Interests

The Fund invests in senior secured corporate loans that 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). Senior secured corporate loans often require prepayment of principal from excess cash flows or at the discretion of the borrower. As a result, actual maturity may be substantially less than the stated maturity. Senior secured corporate loans in which the Fund invests are generally readily marketable, but may be subject to certain restrictions on resale.

f. Income Taxes

The Fund is a disregarded entity for U.S. income tax purposes. As such, no provision has been made for income taxes because all income, expenses, gains and losses are allocated to a non-U.S. beneficial owner for inclusion in its individual income tax return, as applicable.

g. 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. Amortization of premium and accretion of discount on debt securities are included in interest income. Facility fees are recognized as income over the expected term of the loan. Dividend income is recorded on the ex-dividend date. The Fund's net investment income is allocated to the owner daily and paid monthly. Net capital gains (or losses) realized by the Fund will not be distributed.

Distributions to shareholders are recorded on the ex-dividend date. Distributable earnings are determined according to income tax regulations (tax basis) and may differ from earnings recorded in accordance with U.S. GAAP. These differences may be permanent or temporary. Permanent differences are reclassified among capital accounts to reflect their tax character. These reclassifications have no impact on net assets or the results of operations. Temporary differences are not reclassified, as they may reverse in subsequent periods.

Common expenses incurred by the Trust are allocated among the Funds based on the ratio of net assets of each Fund to the combined net assets of the Trust. Fund specific expenses are charged directly to the Fund that incurred the expense.

h. Accounting Estimates

The preparation of financial statements in accordance with U.S. GAAP 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 Trust's organizational documents, its officers and trustees are indemnified by the Trust against certain liabilities arising out of the performance of their duties to the Trust. Additionally, in the normal course of business, the Trust, on behalf of the Fund, enters into contracts with service providers that contain general indemnification clauses. The Trust's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Trust that have not yet occurred. Currently, the Trust expects the risk of loss to be remote.

2. SHARES OF BENEFICIAL INTEREST

At July 31, 2017, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Year Ended July 31,			
	2017		2016	
	Shares	Amount	Shares	Amount
Shares sold	96,198,198	$ 835,951,774	16,210,844	$ 137,334,533
Shares redeemed	(16,796,844)	(145,386,722)	(81,856,245)	(673,759,510)
Net increase (decrease)	79,401,354	$ 690,565,052	(65,645,401)	$(536,424,977)

Appendix A (continued)
Financial Statements of Franklin Floating Rate Master Trust
Franklin Floating Rate Master Series

Notes to Financial Statements (continued)

3. TRANSACTIONS WITH AFFILIATES

Franklin Resources, Inc. is the holding company for various subsidiaries that together are referred to as Franklin Templeton Investments. Certain officers and trustees of the Fund are also officers and/or directors of the following subsidiaries:

Subsidiary	Affiliation
Franklin Advisers, Inc. (Advisers)	Investment manager
Franklin Templeton Services, LLC (FT Services)	Administrative manager
Franklin Templeton Investor Services, LLC (Investor Services)	Transfer agent

a. Management Fees

The Fund pays an investment management fee to Advisers based on the average daily net assets of the Fund as follows:

Annualized Fee Rate	Net Assets
0.530%	Up to and including $2.5 billion
0.450%	Over $2.5 billion, up to and including $6.5 billion
0.430%	Over $6.5 billion, up to and including $11.5 billion
0.400%	Over $11.5 billion, up to and including $16.5 billion
0.390%	Over $16.5 billion, up to and including $19 billion
0.380%	Over $19 billion, up to and including $21.5 billion
0.370%	In excess of $21.5 billion

For the year ended July 31, 2017, the effective investment management fee rate was 0.530% of the Fund's average daily net assets.

b. Administrative Fees

Under an agreement with Advisers, FT Services provides administrative services to the Fund. The fee is paid by Advisers based on the Fund's average daily net assets, and is not an additional expense of the Fund.

c. Transfer Agent Fees

Investor Services, under terms of an agreement, performs shareholder servicing for the Fund and is not paid by the Fund for the services

d. Waiver and Expense Reimbursements

Advisers has voluntarily agreed in advance to waive or limit its fees and to assume as its own expense certain expenses otherwise payable by the Fund so that the expenses (excluding acquired fund fees and expenses) do not exceed 0.53% based on the average net assets of the fund (other than certain non-routine expenses or costs, including those relating to litigation, indemnification, reorganizations, and liquidations). Advisers may discontinue this waiver at any time upon notice to the Board.

e. Other Affiliated Transactions

At July 31, 2017, Franklin Floating Rate Fund, PLC owned 100% of the Fund's outstanding shares. Investment activities of this shareholder could have a material impact on the Fund.

f. Interfund Transactions

The Fund engaged in purchases and sales of investments with funds or other accounts that have common investment managers (or affiliated investment managers), directors, trustees or officers. During the year ended July 31, 2017, these purchase and sale transactions aggregated $8,621,301 and $0, respectively.

4. EXPENSE OFFSET ARRANGEMENT

The Fund has entered into an arrangement with its custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Fund's custodian expenses. During the year ended July 31, 2017, the custodian fees were reduced as noted in the the Statement of Operations.

5. INCOME TAXES

At July 31, 2017, the cost of investments and net unrealized appreciation (depreciation) for income tax purposes were as follows:

APPENDIX A (CONTINUED)
FINANCIAL STATEMENTS OF FRANKLIN FLOATING RATE MASTER TRUST
Franklin Floating Rate Master Series

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. INCOME TAXES (continued)

Cost of investments	$2,142,552,962
Unrealized appreciation	$ 13,876,991
Unrealized depreciation	(26,815,142)
Net unrealized appreciation (depreciation)	$ (12,938,151)

Differences between income and/or capital gains as determined on a book basis and a tax basis are primarily due to differing treatment of bond discounts and premiums.

6. INVESTMENT TRANSACTIONS

Purchases and sales of investments (excluding short term securities) for the period ended July 31, 2017, aggregated $1,633,510,342 and $1,062,929,719, respectively.

7. CREDIT RISK AND DEFAULTED SECURITIES

At July 31, 2017, the Fund had 73.2% of its portfolio invested in high yield, senior secured floating rate notes, or other securities rated below investment grade and unrated securities, if any. These securities may be more sensitive to economic conditions causing greater price volatility and are potentially subject to a greater risk of loss due to default than higher rated securities.

8. RESTRICTED SECURITIES

The Fund invests in securities that are restricted under the Securities Act of 1933 (1933 Act) or which are subject to legal, contractual, or other agreed upon restrictions on resale. Restricted securities are often purchased in private placement transactions, and cannot be sold without prior registration unless the sale is pursuant to an exemption under the 1933 Act. Disposal of these securities may require greater effort and expense, and prompt sale at an acceptable price may be difficult. The Fund may have registration rights for restricted securities. The issuer generally incurs all registration costs.

At July 31, 2017, investments in restricted securities, excluding certain securities exempt from registration under the 1933 Act deemed to be liquid, were as follows:

Shares	Issuer	Acquisition Date	Cost	Value
40,359	Warrior Met Coal Inc. (Value is 0.0%† of Net Assets)	7/31/14 – 9/19/14	$5,526,953	$854,640

†Rounds to less than 0.1% of net assets.

9. UNFUNDED LOAN COMMITMENTS

The Fund enters 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. Unfunded loan commitments and funded portions of credit agreements are marked to market daily and any unrealized appreciation or depreciation is included in the Statement of Assets and Liabilities and the Statement of Operations. Funded portions of credit agreements are presented in the Statement of Investments.

At July 31, 2017, unfunded commitments were as follows:

Borrower	Unfunded Commitment
BMC Software Finance, Inc., Non-Extended US Revolving Commitment	$9,593,418

10. OTHER DERIVATIVE INFORMATION

At July 31, 2017, the Fund's investments in derivative contracts are reflected in the Statement of Assets and Liabilities as follows:

	Asset Derivatives		Liability Derivatives	
Derivative Contracts Not Accounted for as Hedging Instruments	Statement of Assets and Liabilities Location	Fair Value	Statement of Assets and Liabilities Location	Fair Value
Credit contracts	Variation margin	$ –	Variation margin	$393,336[a]

[a]This amount reflects the cumulative appreciation (depreciation) of centrally cleared swap contracts as reported in the Statement of Investments. Only the variation margin receivable/payable at period end is separately reported within the Statement of Assets and Liabilities. Prior variation margin movements were recorded to cash upon receipt or payment.

Appendix A (continued)
Financial Statements of Franklin Floating Rate Master Trust
Franklin Floating Rate Master Series

Notes to Financial Statements (continued)

10. OTHER DERIVATIVE INFORMATION (continued)

For the year ended July 31, 2017, the effect of derivative contracts in the Fund's Statement of Operations was as follows:

Derivative Contracts Not Accounted for as Hedging Instruments	Statement of Operations Locations	Net Realized Gain (Loss) for the Year	Statement of Operations Locations	Net Change in Unrealized Appreciation (Depreciation) for the Year
	Net realized gain (loss) from:		Net change in unrealized appreciation (depreciation) on:	
Credit contracts	Swap contracts	$(309,370)	Swap contracts	$(393,336)

For the year ended July 31, 2017, the average month end notional amount of swap contracts represented $12,616,728. See Note 1(d) regarding derivative financial instruments.

11. SHAREHOLDER DISTRIBUTIONS

For the period ended July 31, 2017, the Fund made the following distributions:

Payment Date	Amount Per Share
8/31/2016	$0.036040
9/30/2016	0.032129
10/31/2016	0.032500
11/30/2016	0.028970
12/30/2016	0.029730
1/31/2017	0.027605
2/28/2017	0.022302
3/31/2017	0.024086
4/28/2017	0.022991
5/31/2017	0.024341
6/30/2017	0.024635
7/31/2017	0.027313
Total	$0.332642

12. CREDIT FACILITY

The Fund, together with other U.S. registered and foreign investment funds (collectively, Borrowers), managed by Franklin Templeton Investments, are borrowers in a joint syndicated senior unsecured credit facility totaling $2 billion (Global Credit Facility) which matures on February 9, 2018. This Global Credit Facility provides a source of funds to the Borrowers for temporary and emergency purposes, including the ability to meet future unanticipated or unusually large redemption requests.

Under the terms of the Global Credit Facility, the Fund shall, in addition to interest charged on any borrowings made by the Fund and other costs incurred by the Fund, pay its share of fees and expenses incurred in connection with the implementation and maintenance of the Global Credit Facility, based upon its relative share of the aggregate net assets of all of the Borrowers, including an annual commitment fee of 0.15% based upon the unused portion of the Global Credit Facility. These fees are reflected in other expenses in the Statement of Operations. During the year ended July 31, 2017, the Fund did not use the Global Credit Facility.

13. FAIR VALUE MEASUREMENTS

The Fund follows a fair value hierarchy that distinguishes between market data obtained from independent sources (observable inputs) and the Fund's own market assumptions (unobservable inputs). These inputs are used in determining the value of the Fund's financial instruments and are summarized in the following fair value hierarchy:

- Level 1 – quoted prices in active markets for identical financial instruments
- Level 2 – other significant observable inputs (including quoted prices for similar financial instruments, interest rates, prepayment speed, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Fund's own assumptions in determining the fair value of financial instruments)

Appendix A (continued)
Financial Statements of Franklin Floating Rate Master Trust
Franklin Floating Rate Master Series

Notes to Financial Statements (continued)

13. FAIR VALUE MEASUREMENTS (continued)

The input levels are not necessarily an indication of the risk or liquidity associated with financial instruments at that level.

For movements between the levels within the fair value hierarchy, the Fund has adopted a policy of recognizing the transfers as of the date of the underlying event which caused the movement.

	Level 1	Level 2	Level 3	Total
Assets:				
Investments in Securities:				
Equity Investments:[a]				
Oil & Gas Exploration & Production	$ –	$ 3,343,271	$ –	$ 3,343,271
Steel	–	–	854,640	854,640
Senior Floating Rate Interests	–	1,712,566,055	–	1,712,566,055
Asset-Backed Securities	–	189,094,533	3,000,000	192,094,533
Short Term Investments	–	220,756,312	–	220,756,312
Total Investments in Securities	$ –	$ 2,125,760,171	$ 3,854,640	$ 2,129,614,811
Other Financial Instruments:				
Unfunded Loan Commitments	$ –	$ 408,925	$ –	$ 408,925
Liabilities:				
Other Financial Instruments:				
Swap Contracts	$ –	$ 393,336	$ –	$ 393,336

[a] Includes common stocks.

A reconciliation of assets in which Level 3 inputs are used in determining fair value is presented when there are significant Level 3 financial instruments at the end of the year.

14. NEW ACCOUNTING PRONOUNCEMENTS

In March 2017, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2017-08, Receivables—Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities. The amendments in the ASU shorten the amortization period for certain callable debt securities acquired at a premium, to be amortized to the earliest call date. The ASU does not require an accounting change for securities acquired at a discount, which continues to be amortized to maturity. The ASU is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2018. Management is currently evaluating the impact, if any, of applying this provision.

15. INVESTMENT COMPANY REPORTING MODERNIZATION

In October 2016, the U.S. Securities and Exchange Commission adopted new rules and amended existing rules (together, final rules) intended to modernize the reporting and disclosure of information by registered investment companies. In part, the final rules amend Regulation S-X and require standardized, enhanced disclosures about derivatives in investment company financial statements, as well as other amendments. The compliance date for the amendments to Regulation S-X is August 1, 2017. Management has reviewed the requirements and believes the adoption of the amendments to Regulation S-X will not have a material impact on the Fund's financial statements and related disclosures.

16. SUBSEQUENT EVENTS

The Fund has evaluated subsequent events through the issuance of the financial statements and determined that no events have occurred that require disclosure.

ABBREVIATIONS

Exchange
ICE – Intercontinental Exchange

Selected Portfolio
CDO – Collateralized Debt Obligation
CLO – Collateralized Loan Obligation
FRN – Floating Rate Note

Appendix A (continued)
Financial Statements of Franklin Floating Rate Master Trust
Franklin Floating Rate Master Series

Report of Independent Registered Public Accounting Firm

To the Board of Trustees and Shareholders of Franklin Floating Rate Master Trust

In planning and performing our audit of the financial statements of Franklin Floating Rate Master Series, Franklin Lower Tier Floating Rate Fund and Franklin Middle Tier Floating Rate Fund ("the Funds") as of and for the year ended July 31, 2017, in accordance with the standards of the Public Company Accounting Oversight Board (United States), we considered the Funds' internal control over financial reporting, including controls over safeguarding securities, as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements and to comply with the requirements of Form N-SAR, but not for the purpose of expressing an opinion on the effectiveness of the Funds' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Funds' internal control over financial reporting.

The management of the Funds is responsible for establishing and maintaining effective internal control over financial reporting. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls. A fund's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A fund's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the fund; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the fund are being made only in accordance with authorizations of management and trustees of the fund; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of a fund's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Funds' annual or interim financial statements will not be prevented or detected on a timely basis.

Our consideration of the Funds' internal control over financial reporting was for the limited purpose described in the first paragraph and would not necessarily disclose all deficiencies in internal control over financial reporting that might be material weaknesses under standards established by the Public Company Accounting Oversight Board (United States). However, we noted no deficiencies in the Funds' internal control over financial reporting and its operation, including controls over safeguarding securities that we consider to be material weaknesses as defined above as of July 31, 2017.

This report is intended solely for the information and use of management and the Board of Trustees of Franklin Floating Rate Master Trust and the Securities and Exchange Commission and is not intended to be and should not be used by anyone other than these specified parties.

PricewaterhouseCoopers LLP.

San Francisco, California

September 15, 2017

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