

EATON VANCE SENIOR FLOATING RATE TRUST
Form N-Q
September 28, 2007

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act File Number

811-21411

Eaton Vance Senior Floating-Rate Trust

(Exact Name of Registrant as Specified in Charter)

**The Eaton Vance Building,
255 State Street, Boston, Massachusetts**
(Address of Principal Executive Offices)

02109
(Zip code)

Alan R. Dynner, Esq.
Eaton Vance Management, 255 State Street, Boston, Massachusetts 02109
(Name and Address of Agent for Services)

(Registrant's Telephone Number, Including Area Code)
Date of Fiscal Year End
Date of Reporting Period

(617) 482-8260
October 31
July 31, 2007

Item 1. Schedule of Investments

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Eaton Vance Senior Floating-Rate Trust

as of July 31, 2007

PORTFOLIO OF INVESTMENTS (Unaudited)

Senior, Floating Rate Interests 151.7% (1)

Principal Amount		Borrower/Tranche Description	Value
Aerospace and Defense 2.1%			
		Evergreen International Aviation	
\$ 1,468,616		Term Loan, 8.86%, Maturing October 31, 2011	\$ 1,461,273
		Hawker Beechcraft Acquisition	
176,702		Term Loan, 5.26%, Maturing March 26, 2014	168,530
2,083,077		Term Loan, 7.36%, Maturing March 26, 2014	1,986,735
		Hexcel Corp.	
1,383,103		Term Loan, 7.11%, Maturing March 1, 2012	1,365,814
		IAP Worldwide Services, Inc.	
960,375		Term Loan, 9.69%, Maturing December 30, 2012	876,342
		Spirit AeroSystems, Inc.	
1,617,935		Term Loan, 7.11%, Maturing December 31, 2011	1,626,024
		TransDigm, Inc.	
1,625,000		Term Loan, 7.36%, Maturing June 23, 2013	1,611,797
		Vought Aircraft Industries, Inc.	
2,133,588		Term Loan, 7.83%, Maturing December 17, 2011	2,117,586
		Wesco Aircraft Hardware Corp.	
1,153,458		Term Loan, 7.61%, Maturing September 29, 2013	1,107,320
		Wyle Laboratories, Inc.	
245,059		Term Loan, 8.11%, Maturing January 28, 2011	240,770
			\$ 12,562,191
Air Transport 1.1%			
		Airport Development and Investment	
GBP 1,000,000		Term Loan, 10.03%, Maturing April 7, 2011	\$ 2,021,764
		Delta Air Lines, Inc.	
1,200,000		Term Loan, 8.61%, Maturing April 30, 2014	1,184,100
		Northwest Airlines, Inc.	
2,100,000		DIP Loan, 7.34%, Maturing August 21, 2008	2,054,062
		Orbitz Worldwide, Inc.	
1,180,000		Term Loan, 8.34%, Maturing July 25, 2014	1,178,525
			\$ 6,438,451
Automotive 6.7%			
		AA Acquisitions Co., Ltd.	
GBP 1,000,000		Term Loan, 8.18%, Maturing June 25, 2012	\$ 2,022,906
		Accuride Corp.	
1,957,967		Term Loan, 7.38%, Maturing January 31, 2012	1,902,899
		Adesa, Inc.	
4,225,000		Term Loan, 7.61%, Maturing October 18, 2013	3,900,203
		Affina Group, Inc.	
1,370,985		Term Loan, 8.36%, Maturing November 30, 2011	1,354,705
		AxleTech International Holding, Inc.	
1,750,000		Term Loan, 11.86%, Maturing April 21, 2013	1,745,625
1			

		CSA Acquisition Corp.	
\$	360,139	Term Loan, 7.88%, Maturing December 23, 2011	\$ 351,226
	900,286	Term Loan, 7.88%, Maturing December 23, 2011	878,004
	492,500	Term Loan, 7.88%, Maturing December 23, 2012	479,572
		Dana Corp.	
	2,350,000	Term Loan, 7.88%, Maturing March 30, 2008	2,317,687
		Dayco Products, LLC	
	1,951,090	Term Loan, 7.85%, Maturing June 21, 2011	1,895,810
		Federal-Mogul Corp.	
	2,915,607	Revolving Loan, 6.83%, Maturing December 31, 2007 (2)	2,786,834
		Ford Motor Co.	
	1,766,125	Term Loan, 8.36%, Maturing December 15, 2013	1,669,110
		General Motors Corp.	
	2,440,244	Term Loan, 7.74%, Maturing November 29, 2013	2,352,549
		Goodyear Tire & Rubber Co.	
	2,400,000	Term Loan, 6.85%, Maturing April 30, 2010	2,307,000
	1,000,000	Term Loan, 8.82%, Maturing March 1, 2011	970,000
		HLI Operating Co., Inc.	
EUR	109,091	Term Loan, 6.86%, Maturing May 30, 2014	147,587
EUR	1,890,909	Term Loan, 6.87%, Maturing May 30, 2014	2,558,172
		Jason, Inc.	
	450,000	Term Loan, 7.82%, Maturing April 30, 2010	439,875
		Keystone Automotive Operations, Inc.	
	895,500	Term Loan, 8.84%, Maturing January 12, 2012	841,770
		Osprey Acquisitions, Ltd	
GBP	1,000,000	Term Loan, 7.96%, Maturing September 30, 2011	1,991,409
		R.J. Tower Corp.	
	1,725,000	Revolving Loan, 6.19%, Maturing February 2, 2008	1,716,915
		The Hertz Corp.	
	400,000	Term Loan, 5.36%, Maturing December 21, 2012	388,667
	2,228,814	Term Loan, 7.10%, Maturing December 21, 2012	2,165,665
		TriMas Corp.	
	234,375	Term Loan, 7.57%, Maturing August 2, 2011	233,203
	1,008,008	Term Loan, 7.61%, Maturing August 2, 2013	1,002,968
		United Components, Inc.	
	1,346,629	Term Loan, 7.36%, Maturing June 30, 2010	1,306,230
			\$ 39,726,591
Beverage and Tobacco 0.6%			
		Constellation Brands, Inc.	
\$	583,333	Term Loan, 6.88%, Maturing June 5, 2013	\$ 568,542
		Culligan International Co.	
EUR	975,000	Term Loan, 8.85%, Maturing May 31, 2013	1,337,965
		Southern Wine & Spirits of America, Inc.	
	1,431,450	Term Loan, 6.86%, Maturing May 31, 2012	1,408,189
			\$ 3,314,696

Brokers, Dealers and Investment Houses 0.1%

		AmeriTrade Holding Corp.	
\$	730,172	Term Loan, 6.82%, Maturing December 31, 2012	\$ 714,352
			\$ 714,352

Building and Development 6.5%

		Beacon Sales Acquisition, Inc.	
\$	694,750	Term Loan, 7.36%, Maturing September 30, 2013	\$ 677,381
		BioMed Realty, L.P.	
3,055,000		Term Loan, 7.57%, Maturing May 31, 2010	3,058,819
		Brickman Group Holdings, Inc.	
1,221,938		Term Loan, 7.34%, Maturing January 23, 2014	1,209,718
		Building Materials Corp. of America	
1,417,884		Term Loan, 8.13%, Maturing February 22, 2014	1,318,632
		Capital Automotive (REIT)	
1,232,598		Term Loan, 7.07%, Maturing December 16, 2010	1,208,973
		Epco / Fantome, LLC	
1,464,000		Term Loan, 7.98%, Maturing November 23, 2010	1,467,660
		Hovstone Holdings, LLC	
1,425,127		Term Loan, 6.84%, Maturing February 28, 2009	1,403,750
		Lanoga Corp.	
1,237,547		Term Loan, 9.00%, Maturing June 29, 2013	1,225,171
		LNR Property Corp.	
2,800,000		Term Loan, 8.11%, Maturing July 3, 2011	2,695,501
		Metroflag BP, LLC (BP Parent)	
500,000		Term Loan, 14.32%, Maturing July 1, 2008	501,250
		Mueller Water Products, Inc.	
1,793,708		Term Loan, 7.10%, Maturing May 24, 2014	1,724,201
		NCI Building Systems, Inc.	
594,000		Term Loan, 6.82%, Maturing June 18, 2010	587,875
		Nortek, Inc.	
2,718,113		Term Loan, 7.61%, Maturing August 27, 2011	2,619,581
		November 2005 Land Investors	
396,647		Term Loan, 8.07%, Maturing May 9, 2011	397,639
		Panolam Industries Holdings, Inc.	
551,491		Term Loan, 8.11%, Maturing September 30, 2012	529,432
		PLY GEM Industries, Inc.	
1,851,022		Term Loan, 8.11%, Maturing August 15, 2011	1,752,301
69,164		Term Loan, 8.11%, Maturing August 15, 2011	65,475
		Realogy Corp.	
901,516		Term Loan, 5.32%, Maturing September 1, 2014	850,644
3,348,484		Term Loan, 8.36%, Maturing September 1, 2014	3,159,533
		South Edge, LLC	
787,500		Term Loan, 7.38%, Maturing October 31, 2009	756,000
		Stile Acquisition Corp.	
1,166,464		Term Loan, 7.36%, Maturing April 6, 2013	1,087,952

		Stile U.S. Acquisition Corp.	
\$	1,168,456	Term Loan, 7.36%, Maturing April 6, 2013	\$ 1,089,810
		Tousa/Kolter, LLC	
	1,297,200	Term Loan, 8.61%, Maturing January 7, 2008	1,298,821
		TRU 2005 RE Holding Co.	
	4,100,000	Term Loan, 8.32%, Maturing December 9, 2008	4,059,000
		United Subcontractors, Inc.	
	825,000	Term Loan, 12.61%, Maturing June 27, 2013	789,937
		Wintergames Acquisition ULC	
	2,875,351	Term Loan, 7.32%, Maturing October 26, 2007	2,882,540
			\$ 38,417,596
Business Equipment and Services 11.4%			
		ACCO Brands Corp.	
\$	1,307,450	Term Loan, 7.11%, Maturing August 17, 2012	\$ 1,271,495
		Activant Solutions, Inc.	
	721,446	Term Loan, 7.38%, Maturing May 1, 2013	683,570
		Affiliated Computer Services	
	812,625	Term Loan, 7.32%, Maturing March 20, 2013	791,407
	2,153,250	Term Loan, 7.32%, Maturing March 20, 2013	2,097,026
		Affinion Group, Inc.	
	2,585,796	Term Loan, 7.86%, Maturing October 17, 2012	2,570,038
		Allied Security Holdings, LLC	
	1,264,545	Term Loan, 8.36%, Maturing June 30, 2010	1,232,932
		Buhrmann US, Inc.	
	3,083,643	Term Loan, 7.11%, Maturing December 31, 2010	3,006,551
		DynCorp International, LLC	
	1,079,116	Term Loan, 7.63%, Maturing February 11, 2011	1,053,487
		Education Management, LLC	
	2,777,595	Term Loan, 7.13%, Maturing June 1, 2013	2,642,573
		Info USA, Inc.	
	615,656	Term Loan, 7.36%, Maturing February 14, 2012	606,421
		ista International GmbH	
EUR	138,439	Term Loan, 6.10%, Maturing May 14, 2015	185,830
EUR	1,136,561	Term Loan, 6.10%, Maturing May 14, 2015	1,538,767
		Kronos, Inc.	
	1,100,000	Term Loan, 7.61%, Maturing June 11, 2014	1,069,750
		Language Line, Inc.	
	2,215,399	Term Loan, 8.61%, Maturing June 11, 2011	2,179,860
		Mitchell International, Inc.	
	1,000,000	Term Loan, 10.63%, Maturing March 28, 2015	950,000
		N.E.W. Holdings I, LLC	
	981,955	Term Loan, 7.86%, Maturing May 22, 2014	913,218
		Nielsen Finance, LLC	
	6,873,063	Term Loan, 7.36%, Maturing August 9, 2013	6,705,264

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		Protection One, Inc.	
\$	907,452	Term Loan, 7.59%, Maturing March 31, 2012	\$ 875,691
		Quantum Corp.	
425,000		Term Loan, 8.82%, Maturing July 12, 2014	416,500
		Quintiles Transnational Corp.	
1,700,000		Term Loan, 9.36%, Maturing March 31, 2014	1,657,500
		Sabare, Inc.	
4,057,297		Term Loan, 7.61%, Maturing September 30, 2014	3,721,121
		Serena Software, Inc.	
517,500		Term Loan, 7.34%, Maturing March 10, 2013	496,369
		Sitel (Client Logic)	
1,995,594		Term Loan, 7.85%, Maturing January 29, 2014	1,950,693
		Solera Holdings, Inc.	
EUR	798,000	Term Loan, 6.19%, Maturing May 15, 2014	1,034,994
		SunGard Data Systems, Inc.	
12,838,983		Term Loan, 7.36%, Maturing February 11, 2013	12,358,856
		TDS Investor Corp.	
EUR	1,054,228	Term Loan, 6.66%, Maturing August 23, 2013	1,422,035
1,345,107		Term Loan, 7.82%, Maturing August 23, 2013	1,317,154
269,897		Term Loan, 7.86%, Maturing August 23, 2013	264,288
		Transaction Network Services, Inc.	
656,422		Term Loan, 7.36%, Maturing May 4, 2012	646,576
		US Investigations Services, Inc.	
1,180,231		Term Loan, 8.07%, Maturing October 14, 2012	1,183,182
1,537,634		Term Loan, 8.07%, Maturing October 14, 2013	1,541,478
		Valassis Communications, Inc.	
479,196		Term Loan, 7.11%, Maturing March 2, 2014	459,429
		VWR International, Inc.	
1,625,000		Term Loan, 7.86%, Maturing June 28, 2013	1,580,312
		WAM Acquisition, S.A.	
EUR	245,946	Term Loan, 6.57%, Maturing May 4, 2014	323,103
EUR	154,054	Term Loan, 6.57%, Maturing May 4, 2014	202,383
EUR	245,946	Term Loan, 6.82%, Maturing May 4, 2015	324,927
EUR	154,054	Term Loan, 6.82%, Maturing May 4, 2015	203,526
		West Corp.	
3,432,772		Term Loan, 7.75%, Maturing October 24, 2013	3,308,811
		Williams Scotsman, Inc.	
750,000		Term Loan, 6.82%, Maturing June 27, 2010	731,250
		Worldspan, L.P.	
1,393,000		Term Loan, 8.61%, Maturing December 7, 2013	1,379,070
			\$ 66,897,437
Cable and Satellite Television 9.4%			
		Atlantic Broadband Finance, LLC	
\$	4,251,578	Term Loan, 7.61%, Maturing February 10, 2011	\$ 4,147,946
		Bragg Communications, Inc.	
1,021,125		Term Loan, 7.11%, Maturing August 31, 2011	1,021,125

		Bresnan Broadband Holdings, LLC		
\$	500,000	Term Loan, 7.36%, Maturing March 29, 2014	\$	482,678
1,200,000		Term Loan, 9.86%, Maturing March 29, 2014	1,168,000	
		Charter Communications Operating, Inc		
12,118,808		Term Loan, 7.36%, Maturing April 28, 2013	11,549,224	
		CSC Holdings, Inc.		
2,962,500		Term Loan, 7.07%, Maturing March 29, 2013	2,852,994	
		Insight Midwest Holdings, LLC		
5,325,000		Term Loan, 7.36%, Maturing April 6, 2014	5,171,166	
		Mediacom Broadband Group		
5,865,973		Term Loan, 7.10%, Maturing January 31, 2015	5,660,664	
		Mediacom Illinois, LLC		
2,770,826		Term Loan, 7.10%, Maturing January 31, 2015	2,680,774	
		NTL Investment Holdings, Ltd.		
2,492,490		Term Loan, 7.36%, Maturing March 30, 2012	2,463,672	
GBP	530,337	Term Loan, 8.29%, Maturing March 30, 2012	1,058,139	
GBP	269,663	Term Loan, 8.29%, Maturing March 30, 2012	538,037	

bsp; 31 March 2001 31 March 2002

CAPITAL AT YEAR END

a) Share capital (in thousands) 1,303,124 1,282,190 1,292,325 1,292,325

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b) Number of outstanding issued shares	213,698,403	213,698,403	215,387,459	215,387,459
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OPERATIONS AND INCOME FOR THE YEAR (in million)

a) Dividend received	307.3	158.0	110.1	0.
b) Income before tax, profit sharing, depreciation and provisions	390.9	166.4	106.2	59.
c) Income tax	(21.7)	50.2	33.3	36.
d) French legal profit sharing				
e) Net income after tax, profit sharing, depreciation and provisions	346.4	215.2	158.7	90.
f) Dividends	106.9(a)	117.5	118.5	

EARNINGS PER SHARE (in)

a) Net earning after tax, profit sharing, but before depreciation and provisions	1.73	1.01	0.65	0.4
b) Net earning after tax, profit sharing, depreciation and provisions	1.62	1.01	0.74	0.4
c) Net dividend per share	0.50(a)	0.55	0.55	

PERSONNEL

a) Number of personnel employed during the year				
b) Amount of gross wages and salaries for the year(in thousands)				
c) Amount of social charges for the year (Social security and other welfare benefits) (in thousands)				

(a) To which an interim dividend of 226.0 million (i.e. 1.13 per share) paid on 22 June 1998 solely to the two principal shareholders as of that date, must be added.

Shareholders Meeting 2003

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Income statement

	Year ended March 31			
	Note	2001	2002	2003
		In	million	
TOTAL SALES		2.8		
Release of provisions and depreciation		22.6		
Other operating income		87.7	94.4	92.1
TOTAL OPERATING INCOME (I)		113.1	94.4	92.1
Other supplies purchased and external expenses		46.4	39.6	29.1
Taxes and duties		0.5	0.7	0.4
Depreciation and provisions for risks and charges			1.9	
Other operating expenses		0.4	0.3	0.4
TOTAL OPERATING EXPENSES (II)		47.3	42.5	29.9
OPERATING INCOME (I - II)		65.8	51.9	62.2
Dividends received		110.2	155.6	
Other interest income and related income		154.2	88.0	229.7
Foreign exchange gains				
TOTAL FINANCIAL INCOME (III)		264.4	243.6	229.7
Depreciation and provisions		1.7	3.5	7,580.0
Interest expenses and related expenses		203.7	238.2	212.8
Foreign exchange losses				
TOTAL FINANCIAL EXPENSES (IV)		205.4	241.7	7,792.8
FINANCIAL INCOME (III - IV)		59.0	1.9	(7,563.1)
OPERATING INCOME AFTER FINANCING (I - II + III - IV)	(1)	124.8	53.8	(7,500.9)
NON RECURRING INCOME (V)		0.7	0.1	
Current income tax (VI)	(2)	(33.2)	(36.9)	(26.8)
TOTAL INCOME (I + III + V)		378.2	338.1	321.8
TOTAL EXPENSES (II + IV + VI)		219.5	247.3	(7,795.9)
NET RESULT		158.7	90.8	(7,474.1)

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Balance sheet

ASSETS

	Note	Net value at 31 March		
		2001	2002	2003
In million				
FIXED ASSETS				
Intangible fixed assets		1.7	1.7	1.7
Financial Assets	(1)			
Investments (Net)		6,553.5	6,553.5	0
Advanced to subsidiary (Net)		954.8	4,623.9	4,847.9
Total Fixed Assets (I)		7,510.0	11,179.1	4,849.6
CURRENT ASSETS				
Other receivables	(2)	4,136.6	658.5	11.8
Cash	(3)	15.2	77.7	6.6
Prepaid expenses	(4)	19.4	12.2	27.4
Total Current Assets (II)		4,171.2	748.4	45.8
TOTAL ASSETS (I + II)		11,681.2	11,927.5	4,895.4

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SHAREHOLDERS EQUITY, PROVISIONS AND LIABILITIES

	Net value at 31 March			
	Note	2001	2002	2003
		In million		
SHAREHOLDERS EQUITY				
Share capital	(5)	1,292.3	1,292.3	1,690.9
Capital surplus		5,530.4	5,530.4	5,747.2
Reserves				
Legal reserves		130.3	130.3	130.3
Non distributable reserves		20.9	20.9	20.9
Retained earnings		102.5	142.9	233.7
Net result for the current year		158.7	90.8	(7,474.1)
Interim dividend				
Net shareholders equity(I)		7,235.1	7,207.6	348.0
OTHER SHAREHOLDERS EQUITY				
Undated subordinated notes		250.0	250.0	
Total Other Shareholders equity (II)	(6)	250.0	250.0	
PROVISIONS for RISKS and CHARGES				
Provision for risks			1.9	1.9
Total Provision (III)			1.9	1.9
LIABILITIES				
	(7)(8)			
Bonds issued		1,227.1	1,226.8	1,226.8
Borrowings		834.6	2,187.1	3,204.8
Other financial debt		2,087.7	1,001.5	85.1
Trade payables		41.1	10.4	21.0
Tax, social security debts		0.5	40.4	7.6
Other payables and accrued expenses		5.1	1.8	0.2
TOTAL LIABILITIES (IV)		4,196.1	4,468.0	4,545.5
TOTAL SHAREHOLDERS EQUITY,				
PROVISIONS AND LIABILITIES (I + II + II + IV)		11,681.2	11,927.5	4,895.4

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Notes to the financial statements

Ø Note 1 Basis of preparation

ALSTOM (the Company) is a société anonyme organised under the laws of France and prepares its financial statements using accounting principles generally accepted in France.

The Company, in preparing the Financial Statements, has used the following main assumptions that:

n the shareholders prior to 31 July 2003 will approve at the shareholders meetings the principles of a capital increase;

n the financial covenants will be met, renewed or renegotiated as required;

n maturing debt will be reimbursed or refinanced as required.

Note 7 of these financial statements sets out the Company's financial debt covenants and maturity. The Company's ability to meet the assumptions used in the preparation of its Financial Statements set out above also depends on the success of the ALSTOM Group's (the Group) new action plan.

The Company has taken into account the matters set out above and all other matters including the risks disclosed in the notes to the Consolidated Financial Statements and has confirmed the applicability of the fundamental accounting principles, including going concern, cut-off between accounting periods (Accruals concept) and consistency of accounting principles.

Ø Note 2 Summary of accounting policies

a Summary of accounting policies

The accounts as of 31 March 2003 have been prepared in accordance with the provisions of the French Law dated 30 April 1983, pursuant to French decree dated 29 November 1983 and of the French General Accounting Rules 1999 as described by French CRC regulation 99-03 dated

21 September 1999.

Since 1 April 2002, the Company applies the *Règlement* 00-06 of the *Comité de Réglementation Comptable*. The application as of 1 April 2002 of the *Règlement* has had no impact on equity.

b Investments

Investments are recorded at direct acquisition cost. Any additional costs are recorded as expenses to be amortised over a five-year period.

Investments are valued at the lower of cost or valuation. When the valuation of the investment is lower than the book value, a provision is recorded to cover the difference. The year end valuation is made on the basis of current use value defined as the value of the investment to the Company employing a number of valuation methods, including return on assets, fair value and other methods, as appropriate.

c Borrowings

Borrowings are recorded at the nominal value. Borrowings costs are recorded as expenses to be amortised over the duration of the borrowings.

d Exchange operations

There were no specific foreign exchange operations during fiscal year 2002/03 other than in the ordinary course of business.

e Financial instrument

Financial instruments (swaps) are used to cover interest rate risks on bonds and other long-term debt.

f Tax consolidation

The Company is the leader of the French Tax group, and any tax savings are recorded in its books.

Ø Note 3 Main events

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The share capital has been increased during the period (see Note 5 to the Balance Sheet).

The shares of ALSTOM Holdings have been fully depreciated during the year (see Note 1 to the Balance Sheet).

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NOTES TO THE BALANCE SHEET

Ø Note 1 Financial Assets

ALSTOM Holdings is the only subsidiary of ALSTOM. It owns all operating entities of the Group. Gross financial assets that correspond to the shares of ALSTOM Holdings amount to 6,553.5 million and ALSTOM Holdings advances of 5,868.1 million, including 44.0 million as accrued interest. A 7,573.7 million provision has been recorded, affected to the investment (6,553.5 million) and ALSTOM Holdings advance of 1,020.2 million.

The write-down of ALSTOM Holdings shares and advances made to ALSTOM Holdings follows an impairment test, the necessity of which was triggered by the conjunction of a number of factors including the following:

n significant continuous reduction of ALSTOM's share price during fiscal year 2002/03,

n exceptional losses during the year of 1.38 billion suffered by subsidiaries in connection with additional provisions, including the GT24/GT26 Gas Turbines issues.

A valuation was performed combining internal and external valuation studies of the Group. The methodology aimed at measuring the enterprise value through consolidated discounted cash flows from which consolidated financial debt, pension provisions, unrecognised actuarial net losses and consolidated financial debt of special purpose vehicles in which the Company has some interest have been deducted.

Discounted cash flows were derived from the ALSTOM Three Year Plan to obtain a ten-year projection to which an estimated terminal value has been added.

Such valuation of the ALSTOM Group approximates the value in use of ALSTOM Holdings, the company's only subsidiary which owns all operating subsidiaries of the Group and reflects a permanent diminution in value.

Ø Note 2 Other Receivables

Other Receivables are due within one year:

	Gross value as of 31 March 2003	Affiliated corporations
	In million	
Trade receivables	9.6	7.4
Other receivables	2.2	
	11.8	7.4

Ø Note 3 Cash

Cash includes interest income receivables on swap operations.

Ø Note 4 Prepaid expenses

	Gross value	Amortization during the year	Net value 31 March 2003
	In million		
Bonds and borrowings(1)	37.2	6.2	25.2
Insurance			2.0
Bonds discounts			0.2
			27.4

(1) Including 17.1 million on new credit lines.

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Ø Note 5 Shareholders equity

The share capital was increased during the fiscal year 2002/03. Pursuant to the authorisations given by the General Meeting of 24 July 2001 and the Board of Directors at its meeting of 6 May 2002, the Chairman of the Board of Directors decided on 27 May 2002 to increase the share capital from 1,292,324,754 to 1,689,963,138 by the issue of 66,273,064 new shares of 6 nominal value each with maintenance of the preferential subscription rights of the shareholders in the ratio of 4 new shares for each 13 existing shares held, at the subscription price of 9.60 per share.

	Number	Per value
Existing shares at beginning of year	215,387,459	6
Shares issued	66,273,064	6
Existing shares at year end	281,660,523	6

The difference between the subscription price of 9.60 and the nominal value of 6.00 minus relevant costs is 216.9 million and is included in the capital surplus.

No dividend has been distributed for this fiscal year.

Ø Note 6 Undated subordinated notes

ALSTOM, the parent company, issued on 29 September 2000 250 million Auction Rate Coupon Undated Subordinated Notes. These notes may be redeemed at the option of the issuer except in certain exceptional circumstances, including any failure to pay interest when due, when they may be redeemed at the option of their holders. They rank pari passu with holders of other subordinated indebtedness. Interest will be payable semi-annually, at variable rates based on EURIBOR. The payment of the interest accrued may be suspended if both of the following conditions are satisfied:

- n the annual non-consolidated accounts of ALSTOM show an absence of income available for distribution;
- n the annual consolidated accounts of the Company show that the consolidated net income is less than or equal to zero.

As part of the negotiation with the banks which took place in March 2003, the Undated Subordinated Notes that had been privately placed with a group of banks, have been amended and are now redeemable on 29 September 2006. They have however kept their subordinated nature.

Therefore this instrument has been re-classified as long-term debt and is included in borrowings (see Note 7 below).

Shareholders Meeting 2003

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	<u>Amount as of 31 March 2003</u>	<u>Within one year</u>	<u>One to five years</u>	<u>More than five years</u>
	In million			
Financial debt				
Bonds issued	1,226.8	576.8	650.0	
Borrowings	3,204.8	750.1	2,454.7	
Other financial debt	85.1	85.1		
Trade creditors and related accounts	21.0	21.0		
Tax, social security debts	7.6	7.6		
Other liabilities	0.2	0.2		
TOTAL	4,545.5	1,440.8	3,104.7	

a Bonds

On 26 July 1999, the Company issued bonds for a principal amount of 650 million with a 7 year maturity, listed on the Paris and Luxembourg Stock Exchanges, bearing a 5% coupon and to be redeemed at par on 26 July 2006.

On 6 February 2001, the Company issued bonds for a principal amount of 550 million with a 3 year maturity, listed on the Luxembourg Stock Exchange, bearing a 5.625% coupon and to be redeemed at par on 6 February 2004.

The bond issue, with a nominal value of 650 million, was initially swapped up to 600 million from fixed to floating rate. 280 million have been returned to a fixed rate exposure and 320 million remain swapped from fixed to floating rate at 31 March 2003.

26.8 million related to accrued interest.

b Borrowings

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Borrowings of 3,204.8 million include:

	At 31 March 2002	At 31 March 2003	Average Interest rate
		In million	
Syndicated loans	1,550.0	2,626.3	Euribor 6 months + 0.45%
C.N.C.E.P.	200.0	200.0	Euribor 3 months + 0.52%
Commerzbank	400.0		
CRCA Mutuelle Charente Périgord	33.2	33.2(1)	Euribor 3 months + 0.20%
Subordinated notes		250.0	Euribor 6 months + 2.0%
Other bilateral loans		75.0	Euribor 1 month + 0.75%
Accrued interest	3.9	20.3	
	2,187.1	3,204.8	

(1) Swapped from 5.63% to Euribor 3 months + 0.20%.

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At 31 March 2003, in addition to drawn down amounts of syndicated loans, ALSTOM has unused confirmed credit lines of 600 million (bridge facility maturing 15 December 2003).

In March 2003 an agreement was signed with a consortium of banks the lenders to extend until 21 January 2004 the maturity of a syndicated loan of 400 million and two bilateral loans totalling 75 million that were originally to mature in March and April 2003.

Both extended and bridge facilities are subject to compliance with new financial covenants, which have also replaced existing covenants in the two other existing syndicated loans (totalling commitments of 1,250.0 million and 976.3 million respectively). They are unsecured and rank pari passu with the other syndicated loans.

While the bridge facility and the extended facilities documentation were signed on 25 March 2003, they were further conditioned by the formalisation of amendments in particular with respect to financial ratios in some other financing arrangements of the Group. Those amendments were finalised and documented in the early part of April 2003.

The bridge facility and the extended facilities are repayable and cancellable upon receipt of proceeds from disposals subject to certain thresholds, with the bridge facility repayable prior to the extended facilities.

The newly extended credit facilities of 475 million and the 600 million new bridge facility are immediately repayable if the Group fails to meet its financial covenants set out below in the coming financial year:

- n Consolidated total debt defined as the sum of the gross financial debt and the net amount of sale of trade receivables shall be tested on the last day of each month until maturity and shall not exceed at respectively 31 March 2003 and 30 September 2003 amounts of 7,000 million(1) and 6,800 million. At 31 March 2003, the consolidated total debt amounted to 6,688 million.
- n Consolidated economic debt defined as the sum of the net financial debt and the net amount of sale of trade receivables shall be tested on the last day of each month until maturity and shall not exceed at respectively 31 March 2003 and 30 September 2003 amounts of 5,300 million and 5,500 million. At 31 March 2003, the consolidated economic debt amounted to 4,918 million.
- n Consolidated net worth defined as the sum of shareholders equity and minority interests shall not be lower at respectively 31 March 2003 and 30 September 2003 than 800 million and 500 million. At 31 March 2003, the consolidated net worth amounted to 900 million.

Financial covenants mentioned above also apply to the 1,250.0 million and 976.3 million syndicated revolving credit facilities. Similar ratios are applicable until maturity of the credit facilities. At 31 March 2004, consolidated total debt shall not exceed 4,800 million, consolidated economic debt shall not exceed 3,600 million and consolidated net worth shall not be lower than 500 million. Interest cover, the ratio between EBITDA(2) and consolidated net financial expenses(3), shall not be lower than 1.8 at 31 March 2004. Differing ratios apply in the periods up to the last

maturity in 2006.

In addition to these financial covenants, under the 475 million newly extended credit lines and the 600 million new bridge facility, the Group's lenders may request the early repayment of all or part of these lines if at the Shareholders' Meeting to be held at the latest on 2 July 2003 the shareholders do not approve resolutions authorising the Board of Directors to increase the share capital.

Subsequent to the year-end, subsidiaries of the Company signed binding assets disposal agreements which are expected to receive 1.1 billion of which 0.7 million has been received.

-
- (1) *Additional flexibility of 500 million is granted at the two month-ends following this date.*
 - (2) *EBITDA is defined as Earnings Before Interest and Tax plus depreciation and amortisation as set out in Consolidated Statements of Cash flow less goodwill amortisation and less capital gain on disposal of investments (see Consolidated Accounts Note 4).*
 - (3) *Consolidated net financial expenses are defined as net interest income plus securitisation expenses (see Consolidated Accounts Note 5).*

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c Other financial debt

	At 31 March 2002	At 31 March 2003
	In million	
Commercial paper	455.0	83.0
Bank overdraft		0.6
ALSTOM Holdings current account		1.5
Other ALSTOM Group loans	546.5	
	1,001.5	85.1

The total authorised commercial paper is 2,500 million, availability being subject to market conditions.

d Trade payable and related accounts

Trade payable and related accounts amounted to 21.0 million, including 7.0 million payable to Group companies.

e Tax, social security debts

Tax and social security debts amounted to 7.6 million, including 7.1 million payable to Group companies referring the French Tax Group.

Ø Note 8 Accrued expenses

	At 31 March 2003
	In million
Bonds issued	26.8
Borrowings	20.3
Trade payable and related accounts	8.3
Other debts	0.2
TOTAL	55.6

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NOTES TO THE INCOME STATEMENT

The net loss of the year ended 31 March 2003 amounted to 7,474.1 million.

Ø Note 1 Operating income after financing

a Operating Income

Income from operations of 62.2 million is mainly comprised of management fees invoiced to the companies of the ALSTOM Group for the use of the ALSTOM name of 92.1 million, less the management fees invoiced by ALSTOM Holdings (5.0 million) and other current purchase and expenses.

The gross remuneration of the Chairman & Chief Executive Officer which amounted to 141,249 since 1st January 2003 is also included in operating income. The previous Chairman & Chief Executive Officer was not directly remunerated by ALSTOM.

b Financial income

The financial loss amounts to 7,563.1 million and includes:

- n 7,573.7 million provision on ALSTOM Holdings investment and advances;
- n 229.7 million interest income, including 214.1 million from ALSTOM Holdings; and
- n 212.8 million interest on bonds and borrowings.

c Other operating expenses

Included in other operating expenses in Directors Fees of 351,250.

Ø Note 2 Current Income Tax

ALSTOM is the leader of the French Tax Grouping. The tax savings are recorded in its accounts.

The tax credit of 26.8 million comprised 20.6 million from the tax grouping profit and 6.2 million prior-year tax credits.

Shareholders Meeting 2003

Table of Contents**Statutory accounts****OTHER INFORMATION****a Commitments**

ALSTOM, as Parent Company, has issued guarantees of 598 million. These include:

n USD 80 million as guarantees of leases;

n GBP 80 million as performance guarantees;

n 409 million on Transport contracts.

b Stock options

Main characteristics of ALSTOM's stock options plans:

	<u>Plan no. 1</u>	<u>Plan no. 3</u>	<u>Plan no. 5</u>	<u>Plan no. 6</u>
Date of Shareholders Meeting	17 June 1998	24 July 2001	24 July 2001	24 July 2001
Creation date	22 April 1999	24 July 2001	8 January 2002	7 January 2003
Exercise price(1)	27.40	33.00	13.09	6.00
Beginning of exercise period(2)	22 April 2004	24 July 2002	8 January 2003	7 January 2004
Expiration date	21 April 2007	23 July 2009	7 January 2010	6 January 2011
Number of beneficiaries	850	1,703	1,653	5
Total number of options originally granted	2,035,000	4,200,000	4,200,000	1,220,000
Number of options as adjusted following the completion of the capital increase in July 2002(3)	2,105,703	4,346,191	4,346,087	1,220,000
Total number of options exercised	0	0	0	0
Total number of options cancelled	335,071	324,061	245,586	0
	1,770,632	4,022,130	4,100,501	1,220,000

**Number of remaining options
as of 31 March 2003**

Terms and conditions of exercise	Average opening price of shares to reach 38, for 40 consecutive trading days (between 22	1/3 of options exercisable as from 24 July 2002	1/3 of options exercisable as from 8 January 2003	1/3 of options exercisable as from 7 January 2004
	April 1999 and 21 April 2004). If this condition is not fulfilled, the options will no longer be valid. As of today, this condition has not been met.	2/3 of options exercisable as from 24 July 2003	2/3 of options exercisable as from 8 January 2004	2/3 of options exercisable as from 7 January 2005
		all options exercisable as from 24 July 2004.	all options exercisable as from 8 January 2005.	all options exercisable as from 7 January 2006.

-
- (1) Subscription price corresponding to the average opening price of the shares during the twenty trading days preceding the day on which the options were granted by the Board (no discount or surcharge), or to the nominal value of the share when the average price is lower.
- (2) Except specific conditions mentioned in Terms and conditions of exercise .
- (3) Plans n°1, 3 and 5 have been adjusted in compliance with French law as a result of the completion of the capital increase in July 2002.

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Plans n°2 and n°4 previously granted are void as a result of the non fulfilment of their exercise conditions tied to the realisations of objectives. Therefore, no options have been exercised under these plans and 4,359,775 options have been cancelled.

The following is a summary of activity of the plans:

	Shares	Weighted average exercise price per share
Outstanding at 1 April 2000	6,437,400	29.19
Granted		
Exercised		
Cancelled	(350,900)	29.69
Outstanding at 31 March 2001	6,086,500	29.17
Outstanding at 1 April 2001	6,086,500	29.17
Granted	8,685,000	23.37
Exercised		
Cancelled	(540,400)	19.36
Outstanding at 31 March 2002	14,231,100	25.67
Outstanding at 1 April 2002	14,231,100	25.67
Outstanding at 1st April, 2002 after Rights Issue	14,726,354	24.81
Granted	1,220,000	6.00
Exercised		
Cancelled	(4,833,091)	28.62
Outstanding at 31 March 2003	11,113,263	21.09

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PROPOSED APPROPRIATION OF NET INCOME

The result for the fiscal year ended 31 March 2003 amounts to a loss of 7,474,080,874.35. The following appropriation will be proposed to the Shareholders Meeting:

	Amount
	In
Result	(7,474,080,874.35)
Amount previously carried forward	233,579,181.57
Appropriation on the legal reserve	130,312,446.09
Appropriation on non distributable reserve	20,934,042.90
Appropriation on contribution premiums	5,180,724,289.09
Appropriation on share premiums	566,566,631.60
Balance carried forward	(1,341,964,283.10)

As a result, no dividend will be paid to the shareholders for this fiscal year.

DIVIDENDS DISTRIBUTED FOR THE THREE PREVIOUS FINANCIAL YEARS

	Number			Global
	of shares	Dividend	Tax credit	amount
		In		
Fiscal year 2002	215,387,459			
Fiscal year 2001	215,387,459	0.55	0.275	0.825
Fiscal year 2000	213,698,403	0.55	0.275	0.825

Shareholders Meeting 2003

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Auditors' report

STATUTORY AUDITOR'S REPORT*

Year ended 31 March 2003

To the shareholders of ALSTOM,

In accordance with our appointment as statutory auditors by your Annual General Meeting, we hereby report to you, for the year ended 31 March 2003 on:

the audit of the accompanying financial statements of ALSTOM, established in euros,

the specific procedures and disclosures required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements, based on our audit.

I Opinion on the Financial Statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the financial position and the assets and liabilities of the Company as at 31 March 2003, and the results of its operations for the year then ended in accordance with French accounting principles. Without qualifying our opinion, we draw attention to the Note 1 – Basis of preparation of the accounts – which highlights the fundamental principles, the main assumptions and certain additional matters used by the Board of Directors to approve these financial statements.

II Specific Procedures and Disclosures

We have also performed the other procedures required by law, in accordance with professional standards applicable in France.

We have no comment to make as to the fair presentation and consistency with the financial statements of the information given in the report of the Board of Directors and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

We inform you that, because of losses incurred, the shareholders' equity of your Company are, as at 31 March 2003, below half of the share capital. In conformity with the article L. 225- 248 of the French *Code de Commerce*, an Extraordinary Shareholders' Meeting must be held, at the latest four months after the approval of the financial statements, in order to vote on the dissolution of your Company. If such resolution is not voted, we inform you that your Company will have to reconstitute its shareholders' equity before 31 March 2006 at a level at least equal to half of the share capital.

Pursuant to the law, we have verified that the management report contains the appropriate disclosures as to the percentage interests and votes held by shareholders.

Neuilly-sur-Seine, 14 May 2003

The Statutory Auditors

Barbier Frinault & Autres,

Ernst & Young

Gilles Puissochet

Deloitte Touche Tohmatsu

Alain Pons

* See page 33.

Shareholders' Meeting 2003

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Auditors' report

SPECIAL AUDITORS' REPORT ON RELATED PARTY TRANSACTIONS*

Year ended 31 March 2003

To the Shareholders of ALSTOM,

In accordance with our appointment as statutory auditors to your Company, we hereby report on the agreements involving members of the Board of Directors of your Company.

The terms of our engagement do not require us to identify such agreements, if any, but to communicate to you, based on information provided to us, the principal terms and conditions of those agreements brought to our attention, without expressing an opinion on their usefulness and appropriateness. It is your responsibility, pursuant to Article 92 of the Decree of 23 March 1967, to assess the various interests involved in respect of the conclusion of these agreements for the purpose of approving them.

Ø Agreements authorised during Fiscal Year 2003

We hereby, inform you that we have not had been notified of any agreements covered by article L. 225-38 of the *Code de Commerce*.

Ø Agreements Approved During Previous Fiscal Years and Executed during Fiscal Year 2003

In addition, pursuant to Decree of 23 March 1967, we have been advised that the following agreements entered into and authorised by the board of directors of your Company in previous years have had continuing effect during the year.

With Alcatel and Marconi plc. (formerly The General Electric Company plc.) (Marconi)

As part of the sale of shares of ALSTOM by Alcatel and Marconi plc., signature of a guarantee and placement agreement among ALSTOM, Alcatel, Marconi plc. and a group of banks and financial institutions.

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With GEC ALSTHOM N.V.

Agreement covering the transfer by GEC ALSTHOM N.V. of its rights and commitments to ALSTOM, as set forth in the shareholders agreements of 21 February 1990 between GEC ALSTHOM N.V., General Electric and European Gas Turbine N.V. (EGT), a subsidiary of GEC ALSTHOM N.V. Under this transfer agreement, ALSTOM undertakes to compensate GEC ALSTHOM N.V. for any losses or damages incurred as a result of such shareholders' agreement.

For fiscal year 2003, no amount has been paid under this agreement.

With Marconi plc. (formerly The General Electric Company, plc.) (Marconi) and Alcatel

Within the framework of the initial public offering of ALSTOM, signature of a guarantee and placement agreement on 21 June 1998 among ALSTOM, Alcatel, Marconi and a group of banks and financial institutions.

With Marconi plc. (formerly The General Electric Company, plc.) (Marconi) and Alcatel

As part of the initial public offering of ALSTOM, signature of counter guarantee on 21 June 1998 between ALSTOM, Alcatel and Marconi, under which ALSTOM undertakes to compensate its shareholders Marconi and Alcatel for any sums that they may have to pay as part of the guarantee and placement agreement.

For fiscal year 2003 no amount has been paid under this agreement.

With GEC ALSTHOM N.V.

Compensation and repayment agreement signed on 21 June 1998 between GEC ALSTHOM N.V. and its receiver ALSTOM. As part of the restructuring of the Group and, namely of the winding-up of GEC ALSTHOM N.V., the purpose of this agreement assures the receiver of GEC ALSTHOM N.V. that ALSTOM which became shareholder was willing to repay an amount equivalent to the excess distribution it may receive from the wind-up, and, subject to certain conditions, to finance any taxation payable by GEC ALSTHOM N.V. as part of the distribution of its assets.

We conducted our procedures in accordance with professional standards applicable in France. Those standards require that we confirm the information provided to us with the relevant source documents.

Neuilly-sur-Seine, 14 May 2003

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The Statutory Auditors

Barbier Frinault & Autres,

Deloitte Touche Tohmatsu

Ernst & Young
Gilles Puissochet

Alain Pons

* *See page 33.*

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Auditors' report

AUDITORS' REPORT ON THE PROPOSED REDUCTION IN CAPITAL*

(Twelfth resolution)

To the Shareholders of ALSTOM,

In our capacity as statutory auditors of your Company and in compliance with Article L.225-204 of French Company Law

(*Code de Commerce*) in respect of a reduction in capital, we hereby report on our assessment of the terms and conditions of the proposed reduction in capital.

We conducted our work in accordance with French professional standards. These standards require that we perform the necessary procedures to examine whether the terms and conditions for the proposed reduction in capital are fair. In particular, we verified that the reduction in capital will not reduce the share capital below the legal or regulatory minimum and that shareholders' equality is not adversely affected.

We have nothing to report on the terms and conditions of this proposed operation which will reduce your Company's capital from 1,689,963,138 to 352,075,653,75, it results a capital reduction of 1,337,887,484,25.

Neuilly-sur-Seine, 14 May 2003

The Statutory Auditors

Barbier Frinault & Autres,

Deloitte Touche Tohmatsu

Ernst & Young

Gilles Puissochet

Alain Pons

* See page 33.

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Auditors' report

AUDITORS' REPORT ON THE PROPOSED ISSUE OF CAPITAL SHARES AND SECURITIES*

(Thirteenth resolution)

To the Shareholders of ALSTOM,

In our capacity as Statutory Auditors of your Company and in accordance with the provisions set forth in Article L. 228-92 of the *Code de Commerce*, we hereby present you with our report related to the thirteenth resolution submitted for the approval of your Ordinary and Extraordinary General Meeting of 23 June 2003, which provide for the issuance of capital shares and/or securities giving immediate or future access to shares of the Company with preferential subscription rights.

The capital increases that may be realised immediately or in the future, in connection with the issuance of shares, may not exceed a maximum nominal aggregate amount of 600 million and the maximum nominal amount of the securities representatives of debt which may be issued may not exceed 1.5 billion or the exchange value of this amount.

The Board of Directors has requested the shareholders grant it powers to approve the terms of such operations for a period of 26 months.

This authorisation cancels the authorisation granted to the Board of Directors by the Shareholders' Meeting of 3 July 2002.

We have examined the proposed issue of capital shares and securities by conducting the procedures deemed necessary by us in accordance with generally accepted standards in France.

Subject to the subsequent examination of the terms of the proposed issue, we have no observation to make as to:

the terms governing the calculation of the share price,

the terms governing the allocation of rights to shares attached to the transferable securities,

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as set forth in the Report of the Board of Directors.

As the share issue prices, the conditions of conversion, exchange or redemption, the exercise price of the subscription rights, and the amount of such issues have not yet been determined, we provide no opinion on the definitive conditions under which the operations proposed in the resolution could be performed.

Pursuant to the provisions of article 155-2 of the Decree of 23 March 1967, we shall issue a further report once the Board of Directors has performed such operation.

Neuilly-sur-Seine, 14 May 2003

The Statutory Auditors

Barbier Frinault & Autres,

Deloitte Touche Tohmatsu

Ernst & Young

Gilles Puissochet

Alain Pons

* *See page 33.*

Shareholders Meeting 2003

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Auditors report

AUDITORS REPORT ON THE PROPOSED ISSUE OF SHARES RESERVED FOR EMPLOYEES OF THE ALSTOM GROUP PARTICIPATING IN THE EMPLOYEE SAVINGS PLAN WITH FULL SUPPRESSION OF PREFERENTIAL SUBSCRIPTION RIGHTS*

(Fourteenth resolution)

To the Shareholders of ALSTOM,

In our capacity as Statutory Auditors of your Company and in accordance with the provisions set forth in Article L. 225-135 of the *Code de Commerce*, we hereby present to you our report on the proposed issue of shares reserved for employees that contribute to the employee savings fund, of a maximum nominal amount of 35.2 million, operation submitted for your approval (fourteenth resolution).

This authorisation cancels the authorisation granted to the Board of Directors by the Shareholders Meeting of 3 July 2002.

The Board of Directors has requested authorisation to approve the terms of such operation, which by their nature imply full suppression of your preferential subscription rights.

We have examined the proposed capital increase by conducting those procedures deemed necessary by us in accordance with generally accepted standards in France.

Subject to our subsequent examination of the terms of the proposed issue, we have no observation to make as to the terms governing the setting of issue prices provided in the Report of the Board of Directors.

As the issue price has not yet been set, we provide no opinion on the definitive conditions of the issue and, as a result, on the related proposed suppression of your preferential subscription rights, which in theory, would appear reasonable in the context of such operation.

Pursuant to the provisions of article 155-2 of the Decree of 23 March 1967, we shall issue a further report once the Board of Directors has performed such operation.

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Neuilly-sur-Seine, 14 May 2003

The Statutory Auditors

**Barbier Frinault & Autres,
Ernst & Young**

Gilles Puissochet

Deloitte Touche Tohmatsu

Alain Pons

* *See page 33.*

Shareholders Meeting 2003

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Auditors' report

AUDITORS' REPORT ON THE REDUCTION IN CAPITAL BY THE REPURCHASE OF SHARES TO BE CANCELLED*

(Fifteenth resolution)

To the Shareholders of ALSTOM,

In our capacity as statutory auditors of your Company and in compliance with Article L.225-209, paragraph 4 of French Company Law (*Code de Commerce*) in respect of the cancellation of a company's own shares previously repurchased, we hereby report on our assessment of the terms and conditions of the proposed reduction in capital.

We conducted our work in accordance with French professional standards. These standards require that we perform the necessary procedures to examine whether the terms and conditions for the proposed reduction in capital are fair.

This operation involves the repurchase by your Company of its own shares, representing an amount not in excess of 10% of its total capital, in accordance with Article L. 225-209, paragraph 4 of French Company Law (*Code de Commerce*). Moreover, this purchase authorization is proposed to your Shareholders' Meeting for approval and would be given to the next Shareholders' Meeting called to approve the accounts of the current financial year.

Your Board of Directors requests that it be empowered for a period of 24 months to proceed with the cancellation of own shares the Company was authorized to repurchase, representing an amount not exceeding 10% of its total capital.

We have nothing to report on the terms and conditions of the proposed reduction in capital, which can be performed only after your shareholders meeting has already approved the repurchase by your Company of its own shares.

Neuilly-sur-Seine, 14 May 2003

The Statutory Auditors

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**Barbier Frinault & Autres,
Ernst & Young**

Deloitte Touche Tohmatsu

Gilles Puissochet

Alain Pons

* *Free translation of a French language original prepared for convenience purposes only. Accounting principles and auditing standards and their application in practice vary from one country to another. The accompanying financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than France. In addition, the procedures and practices followed by the statutory auditors in France with respect to such financial statements included in a prospectus may differ from those generally accepted and applied by auditors in other countries. Accordingly, the French financial statements and the auditors' report of which a translation is presented in this document for convenience only are for use by those knowledgeable about French accounting procedures, auditing standards and their application in practice.*

Shareholders Meeting 2003

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Information on the new Director

DIRECTOR WHOSE NOMINATION IS PROPOSED TO THE RATIFICATION OF THE SHAREHOLDERS MEETING

Mr Gérard Hauser

Date of birth: 29 October 1941

Nationality: French

Number of ALSTOM shares held: 802

Professional references and current directorships

<i>France:</i>	Chairman & Chief Executive Officer of Nexans
	Director of Aplix
	Director of Electro Banque
<i>Foreign countries:</i>	Director of Liban Cables
	Director of Nexans Deutschland Industries GmbH

Past directorships and functions

(held during the last five years)

<i>France:</i>	Chairman & Chief Executive Officer
	of Alcatel Cable France
	Chairman of Alcatel Cables
	& Components Sector
	Director of Saft
	Director of Framatome

Foreign countries: Director of Alcatel Maroc

Shareholders Meeting 2003

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Text of the resolutions

Text of the resolutions submitted to the Shareholders Meeting

RESOLUTIONS FALLING WITHIN THE POWERS OF AN ORDINARY SHAREHOLDERS MEETING

First resolution

Approval of the non-consolidated accounts and operations of the fiscal year ended 31 March 2003

The shareholders, voting under the conditions of quorum and majority required for ordinary General Meetings, having reviewed the report of the Board of Directors, the statutory auditors' report and the non-consolidated accounts for the fiscal year ended 31 March 2003 approve the accounts for the fiscal year ended 31 March 2003, as drafted and presented to them.

The shareholders approve specifically the amount of non-deductible charges (art. 39-4 of the French *Code Général des Impôts*) referred to in the financial statements.

The shareholders approve the operations shown in these accounts and/or referred to in the reports.

Second resolution

Approval of the consolidated accounts and the operations for the fiscal year ended 31 March 2003

The shareholders, voting under the conditions of quorum and majority required for ordinary General Meetings, having reviewed the report of the Board of Directors, the statutory auditors' report and the consolidated accounts for the fiscal year ended 31 March 2003, approve the consolidated accounts, as drafted and presented to them.

The shareholders approve the operations shown in these accounts and/or referred to in the reports.

Third resolution**Appropriation of income**

The shareholders, voting under the conditions of quorum and majority required for ordinary General Meetings, approve the following proposal of the Board of Directors, regarding the appropriation of the loss of (7,474,080,874.35) for the fiscal year ended 31 March 2003:

up to 233,579,181.57, on the account income carried forward which as a result amounts to zero;

up to 130,312,446.09, on the account legal reserve which as a result amounts to zero;

up to 20,934,042.90, on the account non distributable reserve which as a result amounts to zero;

up to 5,180,724,289.09, on the account contribution premiums which as a result amounts to zero;

up to 566,566,631.60, on the account share premiums which as a result amounts to zero;

up to 1,341,964,283.10, on the account income carried forward which as a result amounts to (1,341,964,283.10).

As a result, no dividend will be paid to the shareholders for this fiscal year 2003.

The shareholders acknowledge, pursuant to applicable law, that the dividends distributed for the previous three fiscal years were the following:

	Number of Shares	Dividend()	Tax credit()	Global amount ()
2001/2002	215,387,459			
2000/2001	215,387,459	0.55	0.275	0.825
1999/2000	213,698,403	0.55	0.275	0.825

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Fourth resolution

Special auditors' report on related party agreements

The shareholders, voting under the conditions of quorum and majority required for ordinary General Meetings, having examined the special auditors' report on the agreements to which article L. 225-38 of the French *Code de Commerce* applies, approve the agreements mentioned in such report.

Fifth resolution

Ratification of the appointment of a Director

The shareholders, voting under the conditions of quorum and majority required for ordinary General Meetings, hereby ratify the decision taken by the Board of Directors on 11 March 2003 to appoint Mr Gérard Hauser as Director to replace Mr Bilger who resigned for the remainder of his term of office which shall expire on the day of the General Meeting of the shareholders which shall approve the accounts for the fiscal year 2004.

Sixth resolution

Renewal of the mandate of an external permanent auditor

The shareholders, voting under the conditions of quorum and majority required for ordinary General Meetings, hereby renew the mandate of Barbier Frinault & Autres as permanent external auditor, for a six fiscal year period which shall expire on the day of the General Meeting of the shareholders which shall approve the accounts for the fiscal year 2009.

Seventh resolution

Appointment of an external deputy auditor

The shareholders, voting under the conditions of quorum and majority required for ordinary General Meetings, hereby appoint Mr Pascal Macioce as external deputy auditor to Barbier Frinault & Autres, to replace Mr Francis Scheidecker for a six fiscal year period which

shall expire on the day of the General Meeting of the shareholders which shall approve the accounts for the fiscal year 2009.

Eighth resolution

Renewal of the mandate of an external permanent auditor

The shareholders, voting under the conditions of quorum and majority required for ordinary General Meetings, hereby renew the mandate of Deloitte Touche Tohmatsu as permanent external auditor, for a six fiscal year period which shall expire on the day of the General Meeting of the shareholders which shall approve the accounts for the fiscal year 2009.

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Ninth resolution

Appointment of an external deputy auditor

The shareholders, voting under the conditions of quorum and majority required for ordinary General Meetings, hereby appoint the company BEAS as external deputy auditor to Deloitte Touche Tohmatsu to replace Deloitte Touche Tohmatsu-Audit for a six fiscal year period which shall expire on the day of the General Meeting of the shareholders which shall approve the accounts for the fiscal year 2009.

Tenth resolution

Authorisation to be given to the Board of Directors to deal in the Company's shares

The shareholders, voting under the conditions of quorum and majority required for ordinary General Meetings, having examined the report of the Board of Directors, authorise the Board of Directors under the conditions set out in art. L. 225-209 et seq. of the French *Code de Commerce*, to purchase existing shares of the Company within the limit of a number of shares representing 10% of the share capital of the Company as of 31 March 2003, i.e. 28,166,052 shares, and for a maximum aggregate purchase price of 563,321,040.

This authorisation may be used to regulate the market price of the shares, to allow sale or purchase of shares depending on the market, to allocate or sell shares to employees, former employees or executive officers of ALSTOM and its affiliated companies (as defined in art. L. 225-180 and L. 233-16 of the French *Code de Commerce*), in particular through stock option plans, in order to hold the shares purchased, and, as the case may be, to sell, transfer or exchange the shares purchased in the context of, or following, any financial transactions (including upon exercise of rights attached to securities) and in the context of a general and financial management of the share capital and the stockholders' equity of the Company and in particular with regard to its financing needs. The shares purchased may also be cancelled under the conditions laid down by law.

The purchase, sale, transfer or exchange of the shares may occur, in accordance with the rules enacted by the relevant regulatory bodies, on or off the stock exchange, at any time, including at the time of a takeover bid, and by all means, including block transfer, the use or exercise of financial instruments, derivatives and, in particular through optional transactions such as the purchase and sale of put or call options.

The purchase price may not exceed 20 per share and the sale price must not be less than 1.25 per share, subject to adjustments relating to transactions affecting the share capital of the Company. If the Company proceeds under one of the transactions described by the third paragraph of art. L. 225-209, the sale price will then be determined in accordance with the then applicable law. Moreover, these shares could be transferred free of charge under the conditions specified by law, in particular article L. 443-1 *et seq.* of the French *Code du Travail*.

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The authorisation hereby given shall cancel and replace the authorisation granted by the Shareholders Meeting of 3 July 2002 in its seventh resolution, and shall be valid until the next Shareholders Meeting called to approve the accounts of the current financial year.

The shareholders hereby grant full powers to the Board of Directors, with authority to delegate such powers, to make all stock market orders, to conclude all agreements in order to undertake all formalities and all declarations for and to all bodies and, generally, to do all that is necessary to implement this resolution.

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è RESOLUTIONS FALLING WITHIN THE POWERS OF AN EXTRAORDINARY SHAREHOLDERS MEETING

Eleventh resolution

Decision not to liquidate the Company following the loss of half of the share capital

The General Meeting deliberating pursuant to the quorum and majority rules of extraordinary General Meetings, having examined the report of the Board of Directors, acknowledges that the shareholders' equity of the Company has reached an amount which is less than half of the share capital, as set forth in the statutory accounts for the fiscal year ended 31 March 2003 approved pursuant to the first resolution hereabove, and decides not to liquidate by anticipation the Company.

Twelfth resolution

Reduction in the share capital due to losses and implemented through the reduction in the nominal value of the shares, and related amendments to the Articles of Association

The General Meeting deliberating pursuant to the quorum and majority rules of extraordinary General Meetings, having examined the report of the Board of Directors and the special statutory auditors' report pursuant to the French *Code de Commerce*, in particular in its article L.225 - 204:

1 notes that the accounts for the fiscal year ended 31 March 2003 approved pursuant to the first resolution hereabove shows losses of (7,474,080,874.35), which after offset against the total amounts of the income carried forward, reserves and premiums recorded in the balance sheet of the Company, decided by the General Meeting pursuant to the third resolution hereabove, results in a negative balance carried forward of (1,341,964,283.10);

2 decides to reduce the share capital by a global nominal amount of 1,337,887,484.25, the share capital being reduced from 1,689,963,138 to 352,075,653.75 in order to offset part of the losses recorded in the item balance carried forward in the balance sheet of the Company after the appropriation of the income for the fiscal year ended 31 March 2003, which item as a result amounts to a negative balance carried forward of (4,076,798.85);

3 decides to implement this reduction in the share capital by reducing the nominal value of each share from 6 to 1.25;

4 decides as a consequence of this reduction in the share capital to amend as follows the article 6 of the Articles of Association:

Article 6 Share capital

The share capital is set at three hundred and fifty-two million seventy-five thousand and six hundred and fifty-three euros and seventy-five cents (352,075,653.75 euros).

It is divided into 281,660,523 shares, each with a nominal value of 1.25 euros, of a single class and fully paid up.

The share capital may be increased in accordance with the Law from time to time ;

5 gives full powers to the Board of Directors to take any necessary measures following the completion of the reduction in the share capital.

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Text of the resolution

Thirteenth resolution

Authorisation to be given to the Board of Directors to increase the share capital of the Company by the issue of shares and of any type of securities which give immediate or future access to the Company's shares, with maintenance of preferential subscription rights

The General Meeting, deliberating pursuant to the quorum and majority requirements for extraordinary General Meetings, having examined the report of the Board of Directors and the special statutory auditors' report, and in accordance with the provisions of the French *Code de Commerce*, in particular in its article L.225-129 III:

1 decides to cancel the authorisations granted to the Board by the Extraordinary and Ordinary Shareholders' Meeting of 3 July 2002, in its eighth, ninth and tenth resolutions;

2 delegates to the Board of Directors, for a period of twenty six months from the date of this meeting, all powers necessary to carry out an increase in the share capital, either all at once or in more than one stage, through the issue, both in France and abroad, of shares or of any other securities, including any equity warrants not attached to any securities and issued ex gratia or against payment, which give immediate or future access to shares of the Company, which can be subscribed for either cash or by set-off of debt and which have the same rights as those attached to existing shares except for the date at which they give rise to a dividend; the above mentioned securities shall be denominated in euros or, with respect to securities other than shares, in any other lawful currency or in any other account unit established by reference to a panel of currencies;

3 decides that:

the global nominal amount of the shares that may be issued immediately and/or at a later date by virtue of this authorisation shall not exceed 600 million euros to which may be added the nominal amount of the additional shares to be issued in order to maintain the rights of the holders of securities giving access in the future to the shares of the Company, in accordance with applicable laws, regulations and contractual provisions;

the global nominal amount of the securities that are representative of debts of the Company and which may be issued by virtue of this authorisation, shall not exceed 1.5 billion euros or the exchange value of this amount in any other currency;

4 decides that in the event of an offer to subscribe for securities, the shareholders will be allowed to exercise their preferential subscription rights in accordance with the conditions set out by law. In addition, the Board of Directors will have the power to grant the shareholders the right to subscribe further securities in order to obtain a greater number than that to which they are entitled by virtue of their preferential subscription rights, in accordance with the provisions of the law.

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If subscriptions by way of exercise of preferential rights and, if applicable, by way of exercise of any additional rights, do not account for the whole issue, the Board of Directors may, in the order that it shall decide, exercise either or both of the following options:

freely allot all or part of the securities which have not been subscribed between persons of its choice;

limit the issue to the amount of the subscriptions received, provided that this amount reaches at least three quarters of the issue decided initially;

freely offer to the public, on the French or international market, all or part of the securities which have not been subscribed.

5 decides that if free warrants by scrip issue are allocated to holders of existing shares, the Board of Directors shall have the power to decide that rights to fractions of warrants will not be negotiable and that the corresponding warrants will be sold, the proceeds of the sale being allocated to those entitled to such fractions at the latest within 30 days of the date of registration in the registers of the total number of warrants allotted to them;

6 notes that the present authorisation and delegation of powers:

implies, for the benefit of the holders of the securities which give access to shares of the Company by virtue of this

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implies the express waiver by the shareholders of their preferential subscription rights to the shares of the Company to which the bonds convertible into shares or the equity warrants may give access by virtue of this authorisation.

7 decides that the Board of Directors will have all powers, with the power to subdelegate in accordance with the provisions of the law, to implement this authorisation and delegation of powers, and in particular:

to fix the dates and terms and conditions of the issues, their characteristics and method under which the securities to be issued immediately or in the future will be fully paid up, including the conditions in which they will give rights to shares;

to fix in the event of an issue of debt securities, whether or not they have subordinated status, their redemption terms and conditions, their fixed or variable redemption price with or without premium and the terms and conditions by which securities issued may be repurchased or exchanged;

to fix the date (which may be retroactive) from which the new shares will bear dividends;

to suspend, if applicable, the exercise of the rights attached to the securities issued and giving access to shares of the Company in accordance with applicable law, regulation or contractual provisions for a period not exceeding three months;

to determine the terms and conditions by which the rights of the holders of securities issued and giving rights to shares will be maintained in accordance with applicable law, regulation or contractual provisions;

to proceed with any offset of expenses against the amount of premiums;

to take generally all necessary measures and enter into any arrangement to bring the contemplated issue to a successful conclusion;

to take any necessary measures for the admission to the listing on the *Premier marché d Euronext Paris* (or on any other regulated market) of the securities issued by virtue of this authorisation;

to record the completion of the share capital increases; to amend the Articles of Association accordingly and to accomplish all required formalities and publications.

Fourteenth resolution

Authorisation given to the Board of Directors to increase the share capital of the Company through issues reserved for members of a Company savings plan

The shareholders, voting under the conditions of quorum and majority required for extraordinary General Meetings, having examined the report of the Board of Directors and the special report of the statutory auditors, in accordance with, the provisions of

art. L. 443-1 et seq. of the *Code du Travail* and the *Code de Commerce*, in particular art. L. 225-138:

1 authorise the Board of Directors for a period of twenty-six months from the date of this meeting, to increase the share capital, in one or more times, by a maximum nominal amount of 35,200,000, through the issuance, in euros or any other currency, of new shares and/or other securities giving access to the Company's share capital, reserved for the members of a savings plan of the Company and/or of its affiliated companies and economic interest groups (as defined under art. L. 233-16 of the *Code de Commerce*). This decision will result in the express waiver by the shareholders of their preferential subscription rights for the benefit of the beneficiaries to whom the issue is reserved;

2 decide that the issue price of the shares issued pursuant to this authorisation, shall not be lower by more than 20% of the average of the Company share prices during the twenty trading days preceding the decision of the Board of Directors relating to the capital increase, or higher than such average price; the characteristics of the other securities giving access to the Company's share capital shall be determined by the Board of Directors in the conditions fixed by the rules and regulations;

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3 decide that the Board of Directors may provide for the free allocation of shares or other securities giving access to the Company's share capital, within the limits of the provisions of art. L. 443-5 of the *Code du Travail*;

4 decide that the Board of Directors will have full powers, with authority to subdelegate such powers within the limits of the law, to implement this authorisation within the limits and under the conditions mentioned above, and in particular to:

determine the companies whose employees and executive officers, as the case may be, may participate in the issues;

fix all the conditions that must be met by the beneficiaries;

fix the terms and conditions of each issue and in particular the amount and the terms of the securities to be issued, the issue price, the date (which may be retroactive) from which the shares will bear dividends, the method and schedule of payment of the issue price, the subscription period;

record the completion of the share capital increases in accordance with the amount of shares which are actually subscribed and amend the Articles of Association accordingly;

enter into any agreements, carry out, directly or by proxy, any operations and formalities;

offset expenses against the amount of the premiums if the need arises;

take any measures necessary for the completion of the issuances, carry out all the formalities following the capital increases and generally do whatever is necessary;

5 decide that this authorisation cancels the authorisation granted to the Board of Directors by the Shareholders' Meeting of 3 July 2002 in the eleventh resolution.

Fifteenth resolution

Authority to be given to the Board of Directors to reduce the share capital by cancelling of shares

The shareholders, voting under the conditions of quorum and majority required for extraordinary General Meetings, having acknowledged the report of the Board and the special report of the statutory auditors prepared in compliance with article L. 225-209 of the *Code de Commerce*, authorise the Board of Directors, with authority to delegate its powers, to reduce the share capital, all at once or in more than one stage, by

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cancelling all or part of the shares that may be repurchased by the Company pursuant to any current or future authorisation granted by its shareholders in ordinary general meeting in accordance with article L. 225-209 referred to above, subject to a limit of 10% of the share capital and in compliance with the applicable legal and regulatory provisions.

This authorisation is given for a 24 month period from the date of this meeting.

The shareholders give the Board of Directors full powers, with authority to delegate its powers, to carry out this (these) reduction(s) of the share capital, to amend the Articles of Association accordingly and generally do whatever is necessary.

Sixteenth resolution

Power to implement the decisions of the Shareholders Meeting and to complete the formalities

The shareholders, voting under the conditions of quorum and majority required for extraordinary General Meetings, hereby give full authority to the holder of an original, a copy or an extract of the minutes of this Meeting for the purposes of accomplishing all legal or administrative formalities and to proceed with all required filings and publications.

Shareholder s Meeting 2003

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Société anonyme with capital of 1,689,963,138

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