

TEMPLETON DRAGON FUND INC
Form 40-17F2
May 15, 2007

U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM N-17F-2

CERTIFICATE OF ACCOUNTING OF SECURITIES AND SIMILAR INVESTMENTS IN THE
CUSTODY OF MANAGEMENT INVESTMENT COMPANIES

PURSUANT TO RULE N-17F-2

1. Investment Company Act File Number: 811-08632 Date Examination completed: July 5, 2006

2. State Identification Number:

| | | | | | |
|----|----|----|-------------|----|----|
| AL | AK | AZ | AR | CA | CO |
| CT | DE | DC | FL | GA | HI |
| ID | IL | IN | IA | KS | KY |
| LA | ME | MD | MA | MI | MN |
| MS | MO | MT | NE | NV | NH |
| NJ | NM | NY | NC | ND | OH |
| OK | OR | PA | RI | SC | SD |
| TN | TX | UT | VT | VA | WA |
| WV | WI | WY | PUERTO RICO | | |

3. Exact name of investment company as specified in registration statement:

TEMPLETON DRAGON FUND, INC.

4. Address of principal executive office: (number, street, city, state, zip code)

500 EAST BROWARD BLVD., SUITE 2100, FORT LAUDERDALE, FL 33394-3091

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Trustees of

Franklin Global Trust
Franklin Strategic Series
Franklin Templeton Fund Allocator Series
Franklin Universal Trust
Franklin Strategic Mortgage Portfolio
Franklin Gold and Precious Metals Fund
Franklin Floating Rate Trust
Franklin Capital Growth Fund
Institutional Fiduciary Trust
Franklin High Income Trust

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Franklin Real Estate Securities Trust
Franklin Investors Securities Trust
Franklin Value Investors Trust
Franklin Templeton Money Fund Trust
Franklin Multi-Income Trust
Franklin Templeton Limited Duration Income Trust
Templeton Russia and East European Fund, Inc.
Templeton Global Income Fund
Templeton Emerging Markets Fund
Templeton Emerging Markets Income Fund
Templeton Capital Accumulator Fund

and the Board of Directors of

Franklin Money Fund
Franklin Federal Money Fund
Franklin Custodian Funds, Inc.
Templeton Dragon Fund, Inc.
Templeton Institutional Funds, Inc.

We have examined management's assertion, included in the accompanying Management Statement Regarding Compliance with Certain Provisions of the Investment Company Act of 1940, about the funds' (hereafter referred to as the "Funds") compliance (see Attachment I) with the requirements of subsections (b) and (c) of Rule 17f-2 under the Investment Company Act of 1940 ("the Act") as of October 31, 2004. Management is responsible for the Funds' compliance with those requirements. Our responsibility is to express an opinion on management's assertion about the Funds' compliance based on our examination.

Our examination was conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States) and, accordingly, included examining, on a test basis, evidence about the Funds' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. Included among our procedures were the following tests performed as of October 31, 2004, and with respect to agreement of security purchases and sales, for the periods indicated in Attachment I:

- o Inspection of the records of Franklin Templeton Investors Services, Inc. as they pertain to the security positions owned by the Funds and held in book entry form.
- o Reconciliation of such security positions to the books and records of the Funds.
- o Agreement of a sample of security purchases and sales since our last report to the books and records of the Funds.

We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Funds' compliance with specified requirements.

In our opinion, management's assertion that the Funds were in compliance with the requirements of subsections (b) and (c) of Rule 17f-2 of the Investment Company Act of 1940 as of October 31, 2004 with respect to securities reflected in the investment accounts of the Funds is fairly stated, in all material respects.

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

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/s/PricewaterhouseCoopers LLP
San Francisco, California
July 5, 2006

MANAGEMENT STATEMENT REGARDING COMPLIANCE WITH CERTAIN
PROVISIONS OF THE INVESTMENT COMPANY ACT OF 1940

We, as members of management of the Franklin Templeton Funds indicated in Attachment I (the "Funds"), are responsible for complying with the requirements of subsections (b) and (c) of Rule 17f-2, "Custody of Investments by Registered Management Investment Companies," of the Investment Company Act of 1940. We are also responsible for establishing and maintaining effective internal controls over compliance with those requirements. We have performed an evaluation of the Funds' compliance with the requirements of subsection (b) of Rule 17f-2, as interpreted in Franklin Investors Securities Trust SEC No-Action Letter (publicly available September 24, 1992), and subsection (c) of Rule 17f-2 of the Investment Company Act of 1940, as of October 31, 2004, and for the periods indicated in Attachment I.

Based on this evaluation, we assert that the Funds were in compliance with the requirements of subsection (b) of Rule 17f-2, as interpreted in Franklin Investors Securities Trust SEC No-Action Letter (publicly available September 24, 1992), and subsection (c) of Rule 17f-2 of the Investment Company Act of 1940, as of October 31, 2004, and for the periods indicated in Attachment I, with respect to securities reflected in the investment accounts of the Funds.

By:

/s/ Galen G. Vetter

GALEN G. VETTER
CHIEF FINANCIAL OFFICER
6/21/06

Date

/s/ Jimmy D. Gambill

JIMMY D. GAMBILL
SENIOR VICE PRESIDENT AND CHIEF EXECUTIVE
OFFICER-FINANCE AND ADMINISTRATION

6/26/06

Date

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ATTACHMENT I

| FUND | PERIODS COVERED |
|---|---------------------------------------|
| FRANKLIN GLOBAL TRUST: | |
| Fiduciary High Income Fund | July 31, 2004 - October 31, 2004 |
| Fiduciary Core Fixed Income Fund | July 31, 2004 - October 31, 2004 |
| Fiduciary Small Capitalization Equity Fund | July 31, 2004 - October 31, 2004 |
| Fiduciary Large Capitalization Growth and Income Fund | July 31, 2004 - October 31, 2004 |
| Fiduciary European Smaller Companies Fund | July 31, 2004 - October 31, 2004 |
| Fiduciary Core Plus Fixed Income Fund | July 31, 2004 - October 31, 2004 |
| FRANKLIN STRATEGIC SERIES: | |
| Franklin Aggressive Growth Fund | April 30, 2004 - October 31, 2004 |
| Franklin U.S. Long-Short Fund | April 30, 2004 - October 31, 2004 |
| Franklin Natural Resources Fund | April 30, 2004 - October 31, 2004 |
| Franklin Biotechnology Discovery Fund | April 30, 2004 - October 31, 2004 |
| Franklin Blue Chip Fund | April 30, 2004 - October 31, 2004 |
| Franklin Global Health Care Fund | April 30, 2004 - October 31, 2004 |
| Franklin Global Communications Fund | April 30, 2004 - October 31, 2004 |
| Franklin Strategic Income Fund | April 30, 2004 - October 31, 2004 |
| Franklin Flex Cap Growth Fund | April 30, 2004 - October 31, 2004 |
| Franklin Technology Fund | April 30, 2004 - October 31, 2004 |
| Franklin Small Cap Growth Fund II | April 30, 2004 - October 31, 2004 |
| Franklin Small-Mip Cap Growth Fund | April 30, 2004 - October 31, 2004 |
| FRANKLIN TEMPLETON FUND ALLOCATOR SERIES: | |
| Franklin Templeton Conservative Target Fund | July 31, 2004 - October 31, 2004 |
| Franklin Templeton Moderate Target Fund | July 31, 2004 - October 31, 2004 |
| Franklin Templeton Growth Target Fund | July 31, 2004 - October 31, 2004 |
| Franklin Templeton Corefolio Allocation Fund | July 31, 2004 - October 31, 2004 |
| Franklin Templeton Perspectives Allocation Fund | August 2, 2004 - October 31, 2004 |
| Franklin Templeton Founding Funds Allocation Fund | July 31, 2004 - October 31, 2004 |
| FRANKLIN UNIVERSAL TRUST | July 31, 2004 - October 31, 2004 |
| FRANKLIN STRATEGIC MORTGAGE PORTFOLIO | September 30, 2004 - October 31, 2004 |
| FRANKLIN GOLD AND PRECIOUS METALS FUND | July 31, 2004 - October 31, 2004 |
| FRANKLIN FLOATING RATE TRUST | July 31, 2004 - October 31, 2004 |
| FRANKLIN CAPITAL GROWTH FUND | May 31, 2004 - October 31, 2004 |
| INSTITUTIONAL FIDUCIARY TRUST: | |
| Money Market Portfolio | June 30, 2004 - October 31, 2004 |
| Franklin Cash Reserves Fund | June 30, 2004 - October 31, 2004 |
| Franklin Structured Large Cap Growth Equity Fund | May 31, 2004 - October 31, 2004 |
| Franklin Structured Large Cap Core Equity Fund | May 31, 2004 - October 31, 2004 |
| FRANKLIN HIGH INCOME TRUST: | |
| Franklin AGE High Income Fund | May 31, 2004 - October 31, 2004 |
| FRANKLIN REAL ESTATE SECURITIES TRUST: | |
| Franklin Real Estate Securities Fund | April 30, 2004 - October 31, 2004 |
| FRANKLIN INVESTORS SECURITIES TRUST: | |
| Franklin Floating Rate Daily Access Fund | September 30, 2004 - October 31, 2004 |
| Franklin Total Return Fund | September 30, 2004 - October 31, 2004 |
| Franklin Limited Maturity U.S. Government Securities Fund | September 30, 2004 - October 31, 2004 |
| Franklin Convertible Securities Fund | September 30, 2004 - October 31, 2004 |

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|---|---------------------------------------|
| Franklin Equity Income Fund | September 30, 2004 - October 31, 2004 |
| Franklin Adjustable U.S. Government Securities Fund | June 30, 2004 - October 31, 2004 |
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| FRANKLIN VALUE INVESTORS TRUST: | |
| Franklin Balance Sheet Investment Fund | September 30, 2004 - October 31, 2004 |
| Franklin MicroCap Value Fund | September 30, 2004 - October 31, 2004 |
| Franklin Small Cap Value Fund | September 30, 2004 - October 31, 2004 |
| Franklin Large Cap Value Fund | September 30, 2004 - October 31, 2004 |
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| FRANKLIN TEMPLETON MONEY FUND TRUST: | |
| Franklin Templeton Money Fund | June 30, 2004 - October 31, 2004 |
| | |
| FRANKLIN MULTI-INCOME TRUST | |
| FRANKLIN TEMPLETON LIMITED DURATION INCOME TRUST | July 31, 2004 - October 31, 2004 |
| TEMPLETON RUSSIA AND EAST EUROPEAN FUND, INC. | July 31, 2004 - October 31, 2004 |
| TEMPLETON GLOBAL INCOME FUND | July 31, 2004 - October 31, 2004 |
| TEMPLETON EMERGING MARKETS FUND | July 31, 2004 - October 31, 2004 |
| TEMPLETON EMERGING MARKETS INCOME FUND | July 31, 2004 - October 31, 2004 |
| TEMPLETON CAPITAL ACCUMULATOR FUND | July 31, 2004 - October 31, 2004 |
| FRANKLIN MONEY FUND | June 30, 2004 - October 31, 2004 |
| FRANKLIN FEDERAL MONEY FUND | June 30, 2004 - October 31, 2004 |
| | |
| FRANKLIN CUSTODIAN FUNDS, INC.: | |
| Franklin Growth Fund | September 30, 2004 - October 31, 2004 |
| Franklin Utilities Fund | September 30, 2004 - October 31, 2004 |
| Franklin DynaTech Fund | September 30, 2004 - October 31, 2004 |
| Franklin Income Fund | September 30, 2004 - October 31, 2004 |
| Franklin U.S. Government Securities Fund | September 30, 2004 - October 31, 2004 |
| | |
| TEMPLETON DRAGON FUND, INC. | July 31, 2004 - October 31, 2004 |
| | |
| TEMPLETON INSTITUTIONAL FUNDS, INC.: | |
| Foreign Equity Series | July 31, 2004 - October 31, 2004 |
| Emerging Fixed Income Series | July 31, 2004 - October 31, 2004 |