

TEMPLETON DRAGON FUND INC  
Form 40-17F2  
September 13, 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:

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

Institutional Fiduciary Trust  
Franklin Templeton Money Fund Trust  
Franklin Investors Securities Trust  
Franklin Templeton Variable Insurance Products Trust  
Franklin Multi-Income Trust  
Franklin Templeton Limited Duration Income Trust  
Franklin High Income Trust  
Franklin Universal Trust  
Templeton Russia and East European Fund, Inc.  
Templeton Emerging Markets Fund  
Templeton Global Income Fund  
Templeton Emerging Markets Income Fund  
Templeton Capital Accumulator Fund

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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 March 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 March 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 March 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.

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

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

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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 March 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 March 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

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

/s/ Jimmy D. Gambill

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

6/26/06

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Date

ATTACHMENT I

FUND

PERIODS COVERED

INSTITUTIONAL FIDUCIARY TRUST:  
Money Market Portfolio

October 31, 2003-March 31, 2004

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Franklin Cash Reserves Fund	October 31, 2003–March 31, 2004
Franklin U.S. Government Securities Money Market Portfolio	October 31, 2003–March 31, 2004
FRANKLIN TEMPLETON MONEY FUND TRUST:	
Franklin Templeton Money Fund	October 31, 2003–March 31, 2004
FRANKLIN INVESTORS SECURITIES TRUST:	
Franklin Adjustable U.S. Government Securities Fund	October 31, 2003–March 31, 2004
FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST:	
Franklin Strategic Income Securities Fund	December 31, 2003–March 31, 2004
Franklin Small Cap Value Securities Fund	December 31, 2003–March 31, 2004
Franklin Rising Dividends Securities Fund	December 31, 2003–March 31, 2004
Franklin Small Cap Fund	December 31, 2003–March 31, 2004
Templeton Global Asset Allocation Fund	December 31, 2003–March 31, 2004
Templeton Foreign Securities Fund	December 31, 2003–March 31, 2004
FRANKLIN MULTI-INCOME TRUST	February 29, 2004–March 31, 2004
FRANKLIN TEMPLETON LIMITED DURATION INCOME TRUST	December 31, 2003–March 31, 2004
FRANKLIN HIGH INCOME TRUST:	
Franklin AGE High Income Fund	July 31, 2003–March 31, 2004
FRANKLIN UNIVERSAL TRUST	October 31, 2003–March 31, 2004
TEMPLETON RUSSIA AND EAST EUROPEAN FUND, INC.	December 31, 2003–March 31, 2004
TEMPLETON EMERGING MARKETS FUND	December 31, 2003–March 31, 2004
TEMPLETON GLOBAL INCOME FUND	December 31, 2003–March 31, 2004
TEMPLETON EMERGING MARKETS INCOME FUND	December 31, 2003–March 31, 2004
TEMPLETON CAPITAL ACCUMULATOR FUND	December 31, 2003–March 31, 2004
FRANKLIN MONEY FUND	October 31, 2003–March 31, 2004
FRANKLIN FEDERAL MONEY FUND	October 31, 2003–March 31, 2004
FRANKLIN CUSTODIAN FUNDS, INC.:	
Franklin Growth Fund	October 31, 2003–March 31, 2004
Franklin Utilities Fund	October 31, 2003–March 31, 2004
Franklin DynaTech Fund	October 31, 2003–March 31, 2004
Franklin Income Fund	October 31, 2003–March 31, 2004
Franklin U.S. Government Securities Fund	October 31, 2003–March 31, 2004
TEMPLETON DRAGON FUND, INC.	December 31, 2003–March 31, 2004
TEMPLETON INSTITUTIONAL FUNDS, INC.:	
Foreign Equity Series	December 31, 2003–March 31, 2004
Emerging Fixed Income Series	December 31, 2003–March 31, 2004