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FRANKLIN UNIVERSAL TRUST
Form N-CSR/A
November 01, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDED FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-05569

FRANKLIN UNIVERSAL TRUST

(Exact name of registrant as specified in charter)

ONE FRANKLIN PARKWAY, SAN MATEO, CA 94403-1906
(Address of principal executive offices) (Zip code)

MURRAY L. SIMPSON, ONE FRANKLIN PARKWAY, SAN MATEO, CA 94403-1906

(Name and address of agent for service)

Registrant's telephone number, including area code: 650 312-2000

Date of fiscal year end: 08/31

Date of reporting period: 08/31/04

ITEM 1. REPORTS TO STOCKHOLDERS.

[GRAPHIC OMITTED]

AUGUST 31, 2004

ANNUAL REPORT

INCOME

FRANKLIN UNIVERSAL TRUST

[LOGO]
FRANKLIN (R) TEMPLETON (R)
INVESTMENTS

Franklin o Templeton o Mutual Series

FRANKLIN TEMPLETON INVESTMENTS

GAIN FROM OUR PERSPECTIVE

Franklin Templeton's distinct multi-manager structure combines the specialized expertise of three world-class investment management groups--Franklin, Templeton and Mutual Series.

SPECIALIZED EXPERTISE

Each of our portfolio management groups operates autonomously, relying on its own research and staying true to the unique investment disciplines that underlie its success.

FRANKLIN. Founded in 1947, Franklin is a recognized leader in fixed income investing and also brings expertise in growth- and value-style U.S. equity investing.

TEMPLETON. Founded in 1940, Templeton pioneered international investing and, in 1954, launched what has become the industry's oldest global fund. Today, with research offices in over 25 countries, they offer investors the broadest global reach in the industry.

MUTUAL SERIES. Founded in 1949, Mutual Series is dedicated to a unique style of value investing, searching aggressively for opportunity among undervalued stocks, arbitrage situations and distressed companies.

TRUE DIVERSIFICATION

Because our management groups work independently and adhere to distinctly different investment approaches, Franklin, Templeton and Mutual Series funds typically have a low overlap of securities. That's why our funds can be used to build truly diversified portfolios covering every major asset class.

RELIABILITY YOU CAN TRUST

At Franklin Templeton Investments, we seek to consistently provide investors with exceptional risk-adjusted returns over the long term, as well as the reliable account services that have helped us become one of the most trusted names in financial services.

MUTUAL FUNDS | RETIREMENT PLANS | 529 COLLEGE SAVINGS PLANS | SEPARATE ACCOUNTS

[GRAPHIC OMITTED]

Not part of the annual report

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ANNUAL REPORT

FRANKLIN UNIVERSAL TRUST

YOUR FUND'S GOALS: Franklin Universal Trust's primary investment objective is to provide high, current income consistent with preservation of capital. Its secondary objective is growth of income through dividend increases and capital appreciation.

Dear Shareholder:

We are pleased to bring you Franklin Universal Trust's annual report for the fiscal year ended August 31, 2004.

PERFORMANCE OVERVIEW

For the year under review, the Fund's cumulative total returns were +21.71% based on change in net asset value and +15.79% based on change in market price on the New York Stock Exchange. For comparison, the Credit Suisse First Boston (CSFB) High Yield Index returned 14.67%, and utilities stocks, as measured by the Standard & Poor's (S&P) Utilities Index, returned 23.85% for the fiscal year ended August 31, 2004.(1) You can find the Fund's long-term performance data in the Performance Summary on page 5.

(1) Source: Standard & Poor's Micropal. The CSFB High Yield Index is a trader-priced portfolio constructed to mirror the high yield debt market and includes reinvested interest. The S&P Utilities Index is a market capitalization-weighted index that includes utility stocks in the Standard & Poor's 500 Composite Index. The index includes reinvested dividends. The indexes are unmanaged. One cannot invest directly in an index, nor is an index representative of the Fund's portfolio.

THE DOLLAR VALUE, NUMBER OF SHARES OR PRINCIPAL AMOUNT, AND NAMES OF ALL PORTFOLIO HOLDINGS ARE LISTED IN THE FUND'S STATEMENT OF INVESTMENTS (SOI). THE SOI BEGINS ON PAGE 11.

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PORTFOLIO BREAKDOWN

Based on Gross Assets*
8/31/04

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[THE FOLLOWING TABLE WAS REPRESENTED AS A BAR CHART IN THE PRINTED MATERIAL.]

Corporate Bonds	67.6%
Utilities Common Stocks	22.2%
Foreign Government U.S. Dollar-Denominated Bonds	3.8%
Misc. Common & Preferred Stocks	3.1%
Natural Resources Common Stocks	0.9%
Convertible Bonds	0.9%
Foreign Government Agencies	0.3%
Cash & Other Net Assets	1.2%

* The calculation of percentages is based on total net assets plus the senior note issued by the Fund.

ECONOMIC AND MARKET OVERVIEW

Over the 12-month reporting period, an improving employment picture helped the economy gain a strong foothold, as businesses added more than 1.5 million jobs since September 2003.(2) This important factor was one of many that supported an interest rate rise during the period. Although higher interest rates led to increasing mortgage rates and declining housing affordability, the housing market remained historically robust. Rising home prices and strong new and existing home sales contributed to greater consumer spending.

Increases in business spending also contributed to economic growth. Growing consumer demand helped many companies improve their profits. At the same time, many businesses took advantage of the past 12 months' historically low interest rates to refinance old debt at more attractive levels, which improved their balance sheets. Productivity also continued to rise, which helped businesses generate more goods and services without substantially raising inflation.

Many market participants consider the core Consumer Price Index, which excludes food and energy, as a proxy for overall inflation. This index rose 1.7% for the 12 months ended August 31, 2004. Although inflation increased during some months, it returned to historically low levels by period-end. In fact, when the Federal Reserve Board (Fed) raised the federal funds target rate to 1.25% on June 30, they noted that, "Although incoming inflation data are somewhat elevated, a portion of the increase in recent months appears to have been due to transitory factors."(3)

Largely in anticipation of the Fed's move in June, longer-maturity Treasury yields shifted upward. Although the Fed made a second rate hike in August, slower economic growth tended to boost Treasury bond prices near fiscal year-end, which brought yields down again. Overall, the benchmark 10-year Treasury yield fell from 4.45% at the beginning of the reporting period to 4.13% on August 31, 2004. The market expected the federal funds target rate to reach just below 2.0% by the end of 2004, according to the Fed Funds Futures Contract Table. Despite the removal of some of the stimulus provided by lower interest rates, many sources of economic stimuli remained, including an improved jobs picture and higher corporate profits.

The continuation of the fundamental improvement that began in the previous fiscal year drove high yield bond returns. Credit quality improved as earnings grew in the stronger economic environment. With the pains of recession still fresh in most minds, and with the duration of the recovery uncertain, many companies retained a focus on debt reduction. Improved credit quality helped the default rate decline

(2) Source: Bureau of Labor Statistics.

(3) Source: Federal Reserve Press Release, 6/30/04.

further during the period. In addition, continued cash flows into the high yield asset class increased demand and provided support to the high yield bond market. Utility stocks benefited from continued low interest rates, as the 10-year Treasury note yield declined over the course of the Fund's fiscal year. Many utility companies also generated improved earnings, which they used as an opportunity to increase dividend payments or repurchase shares.

INVESTMENT STRATEGY

We invest primarily in two asset classes: high yield bonds and utility stocks. Within the high yield portion of the portfolio, we use fundamental research to invest in a diversified portfolio of bonds. Within the utility portion of the portfolio, we focus on companies with attractive dividend yields and with a history of increasing their dividends.

MANAGER'S DISCUSSION

During the year under review, the Fund benefited from double-digit returns in each of its primary asset classes.

HIGH YIELD CORPORATE BONDS

The Fund benefited from its overweighted positions in the producer manufacturing and transportation sectors relative to the CSFB High Yield Index. The producer manufacturing sector rebounded from depressed levels reached during the recession and early stages of recovery, when results were weak and some companies were forced to borrow to meet their cash needs. The rebound was largely attributable to the overall economic recovery, and in particular an improvement in industrial production that enabled companies to take advantage of their operating leverage and generate improved results. Likewise, the transportation sector was another beneficiary of the economic recovery. In particular, the securities of automobile manufacturers generally rose as auto sales were boosted by dealer incentives and continued low interest rates.

The Fund's relative performance in the high yield sector was impeded by our lack of holdings in the finance sector and an overweighted position in the wireless telecommunications industry. The finance sector was one of the top performing in the CSFB High Yield Index, but the Fund did not benefit from this. The Fund historically has had little to no exposure to financials, due to what we have found to be a lack of asset protection and attractive investment opportunities. Wireless telecommunication bonds generated returns below those of the index, as competitive industry dynamics surfaced and subscriber growth was disappointing for certain companies.

TOP 10 HOLDINGS

Based on Gross Assets*
8/31/04 vs. 8/31/03

8/31/04	

Southern Co.	2.2%

FPL Group Inc.	2.1%

Dominion Resources Inc.	1.9%

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United Mexican States	1.7%

Exelon Corp.	1.6%

Republic of Bulgaria	1.5%

Nicor Inc.	1.5%

Fimep SA	1.5%

Laidlaw International Inc.	1.5%

D.R. Horton Inc.	1.5%

8/31/03	

Southern Co.	2.3%

FPL Group Inc.	2.1%

Dominion Resources Inc.	2.0%

United Mexican States	1.8%

Republic of Bulgaria	1.7%

Gulfterra Energy Partners	1.7%

Hollywood Park	1.6%

Nicor Inc.	1.6%

Legrand SA (Fimep SA)	1.6%

D.R. Horton Inc.	1.5%

* The calculation of percentages is based on total net assets plus the senior note issued by the Fund.

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UTILITY STOCKS

We held the portfolio's utility exposure fairly constant over the course of the fiscal year, averaging approximately 23% of the Fund's gross assets in utility stocks. This positioning, which was below the mid-point of our targeted range, impeded performance, as utility stocks generated a return greater than that of the Fund's other primary asset class. In addition to the boost provided by declining interest rates, utilities also generally benefited from better earnings. Because many utility companies improved their balance sheets versus prior years, many of them took the opportunity to reward shareholders through higher dividends or share repurchasing programs.

Thank you for your participation in Franklin Universal Trust. We look forward to serving you in the future.

Sincerely,

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[PHOTO] /s/ Christopher J. Molumphy
 Christopher J. Molumphy, CFA
 Senior Portfolio Manager

[PHOTO] /s/ Glenn I. Voyles
 Glenn I. Voyles, CFA
 Portfolio Manager

Franklin Universal Trust

THE FOREGOING INFORMATION REFLECTS OUR ANALYSIS, OPINIONS AND PORTFOLIO HOLDINGS AS OF AUGUST 31, 2004, THE END OF THE REPORTING PERIOD. THE WAY WE IMPLEMENT OUR MAIN INVESTMENT STRATEGIES AND THE RESULTING PORTFOLIO HOLDINGS MAY CHANGE DEPENDING ON FACTORS SUCH AS MARKET AND ECONOMIC CONDITIONS. THESE OPINIONS MAY NOT BE RELIED UPON AS INVESTMENT ADVICE OR AN OFFER FOR A PARTICULAR SECURITY. THE INFORMATION IS NOT A COMPLETE ANALYSIS OF EVERY ASPECT OF ANY MARKET, COUNTRY, INDUSTRY, SECURITY OR THE FUND. STATEMENTS OF FACT ARE FROM SOURCES CONSIDERED RELIABLE, BUT THE ADVISER MAKES NO REPRESENTATION OR WARRANTY AS TO THEIR COMPLETENESS OR ACCURACY. ALTHOUGH HISTORICAL PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS, THESE INSIGHTS MAY HELP YOU UNDERSTAND OUR INVESTMENT MANAGEMENT PHILOSOPHY.

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PERFORMANCE SUMMARY AS OF 8/31/04

Your dividend income will vary depending on dividends or interest paid by securities in the Fund's portfolio, adjusted for operating expenses. Capital gain distributions are net profits realized from the sale of portfolio securities. Total return reflects the Fund's dividend income, capital gain distributions, if any, and any unrealized gains or losses. All total returns include reinvested distributions according to the terms specified in the Fund's dividend reinvestment and cash purchase plan and do not reflect any sales charges paid at inception or brokerage commissions paid on secondary market purchases.

PRICE AND DISTRIBUTION INFORMATION

	CHANGE	8/31/04	8/31/03
Net Asset Value (NAV)	+\$0.81	\$6.48	\$5.67
Market Price (NYSE)	+\$0.45	\$5.65	\$5.20

DISTRIBUTIONS (9/1/03-8/31/04)

Dividend Income \$0.36

PERFORMANCE

	1-YEAR	5-YEAR	10-YEAR
Cumulative Total Return(1)			

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Based on change in NAV	+21.71%	+19.12%	+98.74%
Based on change in market price	+15.79%	+6.56%	+85.77%
Average Annual Total Return(1)			
Based on change in NAV	+21.71%	+3.56%	+7.11%
Based on change in market price	+15.79%	+1.28%	+6.39%
Distribution Rate(2)	6.37%		

PERFORMANCE DATA QUOTED REPRESENTS PAST PERFORMANCE, WHICH DOES NOT GUARANTEE FUTURE RESULTS. INVESTMENT RETURN AND PRINCIPAL VALUE WILL FLUCTUATE, AND YOU MAY HAVE A GAIN OR LOSS WHEN YOU SELL YOUR SHARES. CURRENT PERFORMANCE MAY DIFFER FROM FIGURES SHOWN.

FOR MORE CURRENT PERFORMANCE, CALL FRANKLIN TEMPLETON INVESTMENTS AT 1-800/342-5236.

ENDNOTES

THE RISKS ASSOCIATED WITH HIGHER-YIELDING, LOWER-RATED SECURITIES INCLUDE HIGHER RISK OF DEFAULT AND LOSS OF PRINCIPAL. THESE SECURITIES CARRY A GREATER DEGREE OF CREDIT RISK RELATIVE TO INVESTMENT GRADE SECURITIES. IN ADDITION TO OTHER FACTORS, SECURITIES ISSUED BY UTILITY COMPANIES ARE PARTICULARLY SENSITIVE TO INTEREST RATE MOVEMENTS. THE FUND'S SHARE PRICE AND YIELD MAY BE AFFECTED BY INTEREST RATE MOVEMENTS. SPECIAL RISKS ARE ASSOCIATED WITH FOREIGN INVESTING, INCLUDING CURRENCY VOLATILITY, ECONOMIC INSTABILITY AND POLITICAL DEVELOPMENTS OF COUNTRIES WHERE THE FUND INVESTS. EMERGING MARKETS INVOLVE HEIGHTENED RISKS RELATED TO THE SAME FACTORS, IN ADDITION TO THOSE ASSOCIATED WITH THEIR RELATIVELY SMALL SIZE AND LESSER LIQUIDITY.

- (1) Total return calculations represent the cumulative and average annual changes in value of an investment over the periods indicated.
- (2) Distribution rate is based on an annualization of the Fund's 3 cent per share August dividend and the NYSE closing price of \$5.65 on 8/31/04.

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ANNUAL SHAREHOLDERS' MEETING

FEBRUARY 24, 2004

At an Annual Shareholders' Meeting of Franklin Universal Trust (the "Fund") held on February 24, 2004, shareholders approved the following:

1. Regarding the election of a Board of Trustees of the Fund.

TRUSTEES	SHARES FOR	WITHHELD OR ABSTAIN
Harris J. Ashton	24,184,212.961	251,521.002
Robert F. Carlson	24,175,334.814	260,399.149
S. Joseph Fortunato	24,210,089.757	225,644.206

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Edith E. Holiday	24,187,618.961	248,115.002
Edward B. Jamieson	24,196,282.709	239,451.255
Charles B. Johnson	24,188,589.814	247,144.149
Rupert H. Johnson, Jr.	24,196,960.709	238,773.255
Frank W.T. LaHaye	24,175,151.814	260,582.149
Gordon S. Macklin	24,171,142.814	264,591.149

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DIVIDEND REINVESTMENT AND CASH PURCHASE PLAN

The Fund's Dividend Reinvestment and Cash Purchase Plan (the "Plan") offers you a prompt and simple way to reinvest dividends and capital gain distributions in shares of the Fund. The Plan also allows you to purchase additional shares of the Fund by making voluntary cash payments. PFPC Inc. (the "Plan Agent"), P.O. Box 9223, Chelsea, MA 02150-9223, acts as your Plan Agent in administering the Plan. The complete Terms and Conditions of the Dividend Reinvestment and Cash Purchase Plan are contained in the Fund's Dividend Reinvestment and Cash Purchase Plan Brochure. A copy of that Brochure may be obtained from the Fund at the address on the back cover of this report.

You are automatically enrolled in the Plan unless you elect to receive dividends or distributions in cash. If you own shares in your own name, you should notify the Plan Agent, in writing, if you wish to receive dividends or distributions in cash.

If the Fund declares a dividend or capital gain distribution payable either in cash or in stock of the Fund and the market price of shares on the valuation date equals or exceeds the net asset value, the Fund will issue new shares to you at the higher of net asset value or 95% of the then current market price. Whenever the Fund declares a distribution from capital gains or an income dividend payable in either cash or shares, if the net asset value per share of the Fund's common stock exceeds the market price per share on the valuation date, the Plan Agent shall apply the amount of such dividend or distribution payable to participants, to the purchase of shares (less their pro rata share of brokerage commissions incurred with respect to open market purchases in connection with the reinvestment of such dividend or distribution). If the price exceeds the net asset value before the Plan Agent has completed its purchases, the average purchase price may exceed the net asset value, resulting in fewer shares being acquired than if the Fund had issued new shares. All reinvestments are in full and fractional shares, carried to three decimal places. The Fund will not issue shares under the Plan at a price below net asset value.

The Plan permits you on a voluntary basis to submit in cash payments of not less than \$100 each up to a total of \$5,000 per month to purchase additional shares of the Fund. It is entirely up to you whether you wish to buy additional shares with voluntary cash payments, and you do not have to send in the same amount each time if you do. These payments should be made by check or money order payable to PFPC Inc. and sent to PFPC Inc., Attn: Franklin Universal Trust, P.O. Box 9223, Chelsea, MA 02150-9223.

Your cash payment will be aggregated with the payments of other participants and invested on your behalf by the Plan Agent in shares of the Fund which are purchased in the open market.

The Plan Agent will invest cash payments on approximately the 5th of each month in which no dividend or distribution is payable and, during each month in which a dividend or distribution is payable, will invest cash payments beginning on the dividend payment date. UNDER NO CIRCUMSTANCES WILL INTEREST BE PAID ON YOUR FUNDS HELD BY THE PLAN AGENT. Accordingly, you should send any voluntary cash payments which you wish to make shortly before an investment date but in sufficient time to ensure that your payment will reach the Plan Agent not less than two business days before an investment date. Payments received less than two business days before an investment date will be invested during the next month or, if there are more than 30 days until the next investment date, will be returned to you. You may obtain a refund of any cash payment by written notice, if the Plan Agent receives the written notice not less than 48 hours before an investment date.

There is no direct charge to participants for reinvesting dividends and capital gain distributions, since the Plan Agent's fees are paid by the Fund. However, when shares are purchased in the open market, each participant will pay a pro rata portion of any brokerage commissions incurred. The Plan Agent will deduct a \$5.00 service fee from each of your voluntary cash payments.

The automatic reinvestment of dividends and capital gain distributions does not relieve you of any taxes which may be payable on dividends or distributions. In connection with the reinvestment of dividends and capital gain distributions, if the Fund issues new shares, shareholders receiving such shares generally will be treated as having a distribution equal to the market value of the shares received, and if shares are purchased on the open market, shareholders generally will be treated as having received a distribution equal to the cash distribution that would have been paid.

The Fund does not issue new shares in connection with voluntary cash payments. All investments are in full and fractional shares, carried to three decimal places. If the market price exceeds the net asset value at the time the Plan Agent purchases the additional shares, you will receive shares at a price greater than the net asset value.

You will receive a monthly account statement from the Plan Agent showing total dividends and capital gain distributions, date of investment, shares acquired and price per share, and total shares of record held by you and by the Plan Agent for you. You are entitled to vote all shares of record, including shares purchased for you by the Plan Agent, and, if you vote by proxy, your proxy will include all such shares.

As long as you participate in the Plan, the Plan Agent will hold the shares it has acquired for you in safekeeping, in its name or in the name of its nominee. This convenience provides added protection against loss, theft or inadvertent destruction of certificates. However, you may request that a certificate representing your Plan shares be issued to you.

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You may withdraw from the Plan without penalty at any time by notifying the Plan Agent, in writing, at the address above. If you withdraw, you will receive, without charge, stock certificates issued in your name for all full shares. The Plan Agent will convert any fractional shares you hold at the time of your withdrawal to cash at current market price and send you a check for the

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proceeds.

If you hold shares in your own name, please address all notices, correspondence, questions, or other communications regarding the Plan to the Plan Agent at the address noted above. If your shares are not held in your name, you should contact your brokerage firm, bank, or other nominee for more information and to determine if your nominee will participate in the Plan on your behalf.

The Fund or the Plan Agent may amend or terminate the Plan. You will receive written notice at least 90 days before the effective date of termination or of any amendment. In the case of termination, you will receive written notice at least 90 days before the record date of any dividend or capital gain distribution by the Fund.

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FRANKLIN UNIVERSAL TRUST

FINANCIAL HIGHLIGHTS

	2004	2003	Year Ended 20
PER SHARE OPERATING PERFORMANCE (for a share outstanding throughout the year)			
Net asset value, beginning of year	\$ 5.67	\$ 5.13	\$
Income from investment operations:			
Net investment income(a) .....	.43	.45	
Net realized and unrealized gains (losses) .....	.74	.59	(
Total from investment operations	1.17	1.04	(
Less distributions from:			
Net investment income	(.36)	(.50)	
Net realized gains	--	--	
Total distributions	(.36)	(.50)	
Net asset value, end of year	\$ 6.48	\$ 5.67	\$
Market value, end of year(b)	\$ 5.65	\$ 5.20	\$
Total return (based on market value per share)	15.79%	(10.13)%	(1

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RATIOS/SUPPLEMENTAL DATA

Net assets, end of year (000's)	\$ 180,850	\$158,364	\$141
Ratios to average net assets:			
Expenses	2.47%	3.59%	
Net investment income	6.85%	8.68%	1
Portfolio turnover rate	46.35%	65.15%	1
Total debt outstanding at end of year (000's)	\$ 55,000	\$ 55,000	\$ 60
Asset coverage per \$1,000 of debt	\$ 4,288	\$ 3,879	\$ 3
Average amount of Note per share during the year	\$ 1.97	\$ 1.87	\$

- (a) Based on average daily shares outstanding.
- (b) Based on the last sale on the New York Stock Exchange.
- (c) Effective September 1, 2001, the Fund adopted the provisions of the AICPA Audit and Accounting Guide for Investment Companies and began amortizing all premium and discount on fixed-income securities, as required. The effect of this change was as follows:

Net investment income per share	\$(.012)
Net realized and unrealized gains (losses) per share .....	.012
Ratio of net investment income to average net assets	(.19)%

Per share data and ratios for prior periods have not been restated to reflect this change in accounting policy.

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FRANKLIN UNIVERSAL TRUST

STATEMENT OF INVESTMENTS, AUGUST 31, 2004

	COUNTRY	SHA
COMMON STOCKS AND WARRANTS 31.8%		
COMMUNICATIONS 1.7%		
(a)Call-Net Enterprises Inc., B	Canada	
(a)Metrocall Holdings Inc.	United States	
(a)Millicom International Cellular SA	Luxembourg	
(a),(b)Poland Telecom Finance, wts., 144A, 12/01/07	Poland	
(a)Telewest Global Inc.	United Kingdom	
(a)XO Communications Inc., wts., A, 1/16/10	United States	
ELECTRONIC TECHNOLOGY		
(a)Loral Space & Communications Ltd., wts., 12/27/06	United States	

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(a)Loral Space & Communications Ltd., wts., 1/15/07	United States
ENERGY MINERALS .1%	
Devon Energy Corp.	United States
(a)McMoRan Exploration Co.	United States
NON-ENERGY MINERALS 1.0%	
AngloGold Ashanti Ltd., ADR	South Africa
Barrick Gold Corp.	Canada
Producer Manufacturing	
(a)Harvard Industries Inc.	United States
(a)VS Holdings	United States
TRANSPORTATION	
(a)Continental Airlines Inc., B	United States
UTILITIES 29.0%	
Alliant Energy Corp.	United States
Ameren Corp	United States
American Electric Power Co. Inc.	United States
Atmos Energy Corp.	United States
Cinergy Corp.	United States
Dominion Resources Inc.	United States
DTE Energy Co.	United States
Edison International	United States
Energy East Corp	United States
Energy Corp.	United States
Exelon Corp.	United States
FirstEnergy Corp.	United States
FPL Group Inc.	United States
Nicor Inc.	United States
NiSource Inc.	United States

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FRANKLIN UNIVERSAL TRUST

STATEMENT OF INVESTMENTS, AUGUST 31, 2004 (CONTINUED)

	COUNTRY
COMMON STOCKS AND WARRANTS (CONT.)	
UTILITIES (CONT.)	
ONEOK Inc.	United States
Pepco Holdings Inc.	United States
Pinnacle West Capital Corp.	United States

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Progress Energy Inc.	United States
Southern Co.	United States
TXU Corp.	United States
TOTAL COMMON STOCKS AND WARRANTS (COST \$49,545,738)	
PREFERRED STOCKS 1.1%	
PROCESS INDUSTRIES	
(a)Asia Pulp & Paper Co. Ltd., 12.00%, pfd.	Indonesia
UTILITIES 1.1%	
Heco Capital Trust III, 6.50%, pfd.	United States
TOTAL PREFERRED STOCKS (COST \$5,875,000)	
CONVERTIBLE PREFERRED STOCK (COST \$1,700,803) 1.2%	
CONSUMER DURABLES	
Ford Motor Co. Capital Trust II, 6.50%, cvt. pfd.	United States
BONDS 93.6%	
COMMERCIAL SERVICES	
(c)Key3Media Group Inc., senior sub. note, 11.25%, 6/15/11	United States
COMMUNICATIONS 10.9%	
Centennial Communications Corp., senior note, 144A, 8.125%, 2/01/14	United States
Dobson Communications Corp., senior note, 8.875%, 10/01/13	United States
Inmarsat Finance PLC, senior note, 144A, 7.625%, 6/30/12	United Kingdom
Millicom International Cellular SA, senior note, 144A, 10.00%, 12/01/13	Luxembourg
Nextel Communications Inc., senior note, 7.375%, 8/01/15	United States
NTL Cable PLC, senior note, 144A, 8.75%, 4/15/14	United Kingdom
PanAmSat Corp., senior note, 144A, 9.00%, 8/15/14	United States
(c)Poland Telecom Finance, B, 14.00%, 12/01/07	Poland
Qwest Corp., 6.875%, 9/15/33	United States
Time Warner Telecom Inc., senior note, 10.125%, 2/01/11	United States
Time Warner Telecom Inc., senior note, 9.25%, 2/15/14	United States
Triton PCS Inc., senior note, 8.50%, 6/01/13	United States
CONSUMER DURABLES 4.5%	
D.R. Horton Inc., senior note, 8.50%, 4/15/12	United States
General Motors, senior deb., 8.25%, 7/15/23	United States

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	COUNTRY
BONDS (CONT.)	
CONSUMER DURABLES (CONT.)	
Simmons Co., senior sub. note, 144A, 7.875%, 1/15/14	United States
True Temper Sports Inc., senior sub. note, 8.375%, 9/15/11	United States
CONSUMER NON-DURABLES 1.7%	
Smithfield Foods Inc., senior note, 7.75%, 5/15/13	United States
Smithfield Foods Inc., senior note, 144A, 7.00%, 8/01/11	United States
CONSUMER SERVICES 21.1%	
(b), (c) Atherton Franchise Capital, LP, 13.073%, 12/01/08	United States
Cablevision Systems Corp., senior note, 144A, 8.00%, 4/15/12	United States
(c) Century Communications Corp., senior disc. note, B, zero cpn., 1/15/08	United States
Charter Communications Holdings II, senior note, 10.25%, 9/15/10	United States
Corrections Corp. of America, senior note, 7.50%, 5/01/11	United States
Dex Media West LLC, senior sub. note, 9.875%, 8/15/13	United States
DIRECTV Holdings/Finance, senior note, 8.375%, 3/15/13	United States
Emmis Operating Co., senior sub. note, 6.875%, 5/15/12	United States
Marquee Inc., senior note, 144A, 8.625%, 8/15/12	United States
Nexstar Finance Inc., senior sub. note, 7.00%, 1/15/14	United States
Park Place Entertainment Corp., senior sub. note, 7.875%, 3/15/10	United States
Pinnacle Entertainment Inc., senior sub. note, 8.75%, 10/01/13	United States
Pinnacle Entertainment Inc., senior sub. note, B, 9.25%, 2/15/07	United States
Royal Caribbean Cruises Ltd., senior note, 8.00%, 5/15/10	United States
Royal Caribbean Cruises Ltd., senior note, 6.875%, 12/01/13	United States
Six Flags Inc., senior note, 9.50%, 2/01/09	United States
Station Casinos Inc., senior note, 6.00%, 4/01/12	United States
Station Casinos Inc., senior sub. note, 6.50%, 2/01/14	United States
Station Casinos Inc., senior sub. note, 6.875%, 3/01/16	United States
Young Broadcasting Inc., senior sub. note, 8.75%, 1/15/14	United States
DISTRIBUTION SERVICES	
(c) AmeriServe Food Distribution Inc., senior note, 8.875%, 10/15/06	United States
(c) AmeriServe Food Distribution Inc., senior sub. note, 10.125%, 7/15/07	United States
ELECTRONIC TECHNOLOGY 5.3%	
Argo-Tech Corp., senior note, 144A, 9.25%, 6/01/11	United States
Communications & Power Industries, senior sub. note, 8.00%, 2/01/12	United States
Flextronics International Ltd., senior sub. note, 6.50%, 5/15/13	Singapore
Soletron Corp., senior note, 9.625%, 2/15/09	United States
Xerox Corp., senior note, 7.125%, 6/15/10	United States

FRANKLIN UNIVERSAL TRUST

STATEMENT OF INVESTMENTS, AUGUST 31, 2004 (CONTINUED)

	COUNTRY	PRI
BONDS (CONT.)		
ENERGY MINERALS 3.4%		
Foundation PA, senior note, 144A, 7.25%, 8/01/14	United States	
Plains Exploration & Production Co., senior note, 144A, 7.125%, 6/15/14	United States	
Vintage Petroleum, senior sub. note, 7.875%, 5/15/11	United States	
GOVERNMENT BONDS 5.3%		
Eskom, 11.00%, 6/01/08	South Africa	
Federation of Russia, 3.00%, 5/14/06	Russia	
Republic of Bulgaria, FRN, 2.75%, 7/28/11	Bulgaria	
United Mexican States, 11.375%, 9/15/16	Mexico	
HEALTH SERVICES 2.7%		
Medcath Holdings Corp., senior note, 144A, 9.875%, 7/15/12	United States	
Tenet Healthcare Corp., senior note, 7.375%, 2/01/13	United States	
INDUSTRIAL SERVICES 4.3%		
Allied Waste North America Inc., senior secured note, 6.50%, 11/15/10	United States	
Grant Prideco Escrow, senior note, 9.00%, 12/15/09	United States	
Hanover Equipment Trust 01, senior secured note, B, 8.75%, 9/01/11	United States	
URS Corp., senior sub. note, 12.25%, 5/01/09	United States	
NON-ENERGY MINERALS 1.7%		
Ispat Inland ULC, senior secured note, 144A, 9.75%, 4/01/14	United States	
PROCESS INDUSTRIES 9.3%		
BCP Caylux Holding Lux SCA, senior sub. note, 144A, 9.625%, 6/15/14	United States	
(c)FiberMark Inc., senior note, 10.75%, 4/15/11	United States	
Georgia-Pacific Corp., senior note, 8.00%, 1/15/24	United States	
Huntsman ICI Holdings LLC, senior disc. note, zero cpn., 12/31/09	United States	
Nalco Co., senior sub. note, 144A, 8.875%, 11/15/13	United States	

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(c)Pindo Deli Finance Mauritius Ltd., senior note, 11.75%, 10/01/17 Singapore
 Rhodia SA, senior note, 10.25%, 6/01/10 France

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FRANKLIN UNIVERSAL TRUST

STATEMENT OF INVESTMENTS, AUGUST 31, 2004 (CONTINUED)

	COUNTRY	PR
BONDS (CONT.)		
PRODUCER MANUFACTURING 9.0%		
Case New Holland Inc., senior note, 144A, 9.25%, 8/01/11	United States	
Fimep SA, senior note, 10.50%, 2/15/13	France	
Invensys PLC, senior note, 144A, 9.875%, 3/15/11	United Kingdom	
Milacron Escrow Corp., senior secured note, 144A, 11.50%, 5/15/11	United States	
THL Buildco Inc., senior sub. note, 144A, 8.50%, 9/01/14	United States	
TRW Automotive Inc., senior note, 9.375%, 2/15/13	United States	
TRW Automotive Inc., senior sub. note, 11.00%, 2/15/13	United States	
Westinghouse Air Brake, senior note, 6.875%, 7/31/13	United States	
REAL ESTATE INVESTMENT TRUSTS 2.5%		
Host Marriott LP, senior note, 144A, 7.00%, 8/15/12	United States	
Ventas Realty LP/Capital Corp., senior note, 9.00%, 5/01/12	United States	
RETAIL TRADE 1.6%		
Rite Aid Corp., senior note, 144A, 6.125%, 12/15/08	United States	
TECHNOLOGY SERVICES 2.0%		
(c)PSINet Inc., 10.50%, 12/01/06	United States	
(c)PSINet Inc., senior note, 11.00%, 8/01/09	United States	
UGS Corp., senior sub. note, 144A, 10.00%, 6/01/12	United States	
TRANSPORTATION 2.5%		
Great Lakes Dredge & Dock Corp., senior sub. note, 7.75%, 12/15/13	United States	
Laidlaw International Inc., senior note, 10.75%, 6/15/11	United States	
UTILITIES 5.8%		
Aquila Inc., senior note, 14.875%, 7/01/12	United States	
Calpine Corp., senior secured note, 144A, 8.75%, 7/15/13	United States	

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Dynergy Holdings Inc., senior note, 8.75%, 2/15/12	United States
Midwest Generation LLC, senior secured note, 8.75%, 5/01/34	United States

TOTAL BONDS (COST \$179,303,322)

CONVERTIBLE BOND (COST \$1,682,265) 1.1%	
TELECOMMUNICATION EQUIPMENT	
Nortel Networks Corp., cvt., senior note, 4.25%, 9/01/08	Canada

TOTAL LONG TERM INVESTMENTS (COST \$238,107,128)

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FRANKLIN UNIVERSAL TRUST

STATEMENT OF INVESTMENTS, AUGUST 31, 2004 (CONTINUED)

-----		COUNTRY
-----		-----
SHORT TERM INVESTMENT (COST \$3,246)		
MONEY FUND		
(d) Franklin Institutional Fiduciary Trust Money Market Portfolio		United States
TOTAL INVESTMENTS (COST \$238,110,374) 128.8%		
OTHER ASSETS, LESS LIABILITIES (28.8)%		
NET ASSETS 100.0%		

CURRENCY ABBREVIATIONS | ZAR - South African Rand

- (a) Non-income producing.
- (b) See Note 10 regarding restricted securities.
- (c) Defaulted securities. See Note 9.
- (d) See Note 8 regarding investments in Franklin Institutional Fiduciary Trust Money Market Portfolio.
- (e) The principal amount is stated in U.S. dollars unless otherwise indicated.

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FRANKLIN UNIVERSAL TRUST

FINANCIAL STATEMENTS

STATEMENT OF ASSETS AND LIABILITIES

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August 31, 2004

Assets:

Investments in securities:

Cost - Unaffiliated issuers \$ 238,1

Cost - Sweep money fund (Note 8) =====

Value - Unaffiliated issuers 232,9

Value - Sweep money fund (Note 8) 4

Cash 4

Receivables:

Dividends and interest 3,2

Note issuance costs (Note 3) 1

Total assets 236,8

Liabilities:

Payables:

Affiliates 1

Note (Note 3) 55,0

Distributions to shareholders 8

Other liabilities -----

Total liabilities 56,0

Net assets, at value \$ 180,8

Net assets consist of:

Undistributed net investment income \$ 2

Net unrealized appreciation (depreciation) (5,1)

Accumulated net realized gain (loss) (69,1)

Capital shares 254,8

Net assets, at value \$ 180,8

Net asset value per share (\$180,850,398 / 27,924,294 shares outstanding) \$

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FRANKLIN UNIVERSAL TRUST

FINANCIAL STATEMENTS (CONTINUED)

STATEMENT OF OPERATIONS

for the year ended August 31, 2004

Investment income:

Dividends:

Unaffiliated issuers

Sweep Money Fund (Note 8)

Interest

Total investment income

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Expenses:

Management fees (Note 4)
Transfer agent fees
Custodian fees (Note 5)
Reports to shareholders	.....
Professional fees	.....
Trustees' fees and expenses	.....
Amortization of note issuance costs (Note 3)	.....
Other	.....
Expenses before interest expense	.....
Interest expense (Note 3)	.....
Total expenses	.....
Expense reductions (Note 5)	.....
Net expenses	.....
Net investment income	.....

Realized and unrealized gains (losses):

Net realized gain (loss) from:	
Investments	.....
Foreign currency transactions	.....
Net realized gain (loss)	.....
Net unrealized appreciation (depreciation) on:	
Investments	.....
Translation of assets and liabilities denominated in foreign currencies	.....
Net unrealized appreciation (depreciation)	.....
Net realized and unrealized gain (loss)
Net increase (decrease) in net assets resulting from operations

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FRANKLIN UNIVERSAL TRUST

FINANCIAL STATEMENTS (CONTINUED)

STATEMENTS OF CHANGES IN NET ASSETS
for the years ended August 31, 2004 and 2003

Increase (decrease) in net assets:

Operations:	
Net investment income	.....
Net realized gain (loss) from investments and foreign currency transactions	.....
Net unrealized appreciation (depreciation) on investments and translation of assets and liabilities denominated in foreign currencies

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Net increase (decrease) in net assets resulting from operations
Distributions to shareholders from net investment income
Capital share transactions (Note 2)

Net increase (decrease) in net assets
Net assets:
Beginning of year
End of year
Undistributed net investment income/distributions in excess of net investment income included
in net assets:
End of year

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FRANKLIN UNIVERSAL TRUST

FINANCIAL STATEMENTS (CONTINUED)

STATEMENT OF CASH FLOWS
for the year ended August 31, 2004

Cash flow from operating activities:
Dividends and interest received
Operating expenses paid
Interest expense paid
Cash provided - operations

Cash flow from investing activities:
Purchase of investment securities
Proceeds from disposition of investment securities
Sale of short term investment securities, net
Cash provided - investments

Cash flow from financing activities:
Payment of note issuance costs
Distributions to shareholders
Cash used - financing

Net increase (decrease) in cash
Cash at beginning of year
Cash at end of year

RECONCILIATION OF NET INVESTMENT INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2004

Net investment income
Adjustments to reconcile net investment income to net cash provided by operating activities:
Amortization income
Amortization of note issuance costs
Reinvested dividends from Sweep Money Fund

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Interest income on bond restructuring and other investment transactions	
Increase in dividends and interest receivable	
Increase in liabilities	
Net cash provided by operating activities	

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FRANKLIN UNIVERSAL TRUST

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Franklin Universal Trust (the Fund) is registered under the Investment Company Act of 1940 as a diversified, closed-end investment company. The Fund has two classes of securities: senior fixed-rate note (the Note) and shares of beneficial interest (the Shares). The Fund seeks high current income consistent with preservation of capital.

The following summarizes the Fund's significant accounting policies.

A. SECURITY VALUATION

Securities listed or traded on a recognized national exchange are valued at the last reported sales price. Securities listed or traded on NASDAQ are valued at their official closing price. Debt securities, other over-the-counter securities and listed securities for which no sale is reported are valued within the range of the latest quoted bid and asked prices by independent pricing services or recognized dealers in such securities. Foreign securities are valued at the close of trading of the foreign exchange or the NYSE, whichever is earlier. If events occur that materially affect the values of securities after the prices or foreign exchange rates are determined, but prior to 4:00 p.m. Eastern time or the close of trading on the NYSE, whichever is earlier, or if market quotations are deemed not readily available or reliable, the securities (including restricted securities) will be valued at fair value. Investments in open-end mutual funds are valued at the closing net asset value. All security valuation procedures are approved by the Board of Trustees.

B. FOREIGN CURRENCY TRANSLATION

Portfolio securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars based on the exchange rate of such currencies against U.S. dollars on the date of valuation. Purchases and sales of securities, income and expense items denominated in foreign currencies are translated into U.S. dollars at the exchange rate in effect on the transaction date.

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

Realized foreign exchange gains or losses arise from sales of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions and the difference between the recorded amounts of dividends, interest, and foreign withholding taxes and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in foreign exchange rates on

foreign denominated assets and liabilities other than investments in securities held at the end of the reporting period.

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FRANKLIN UNIVERSAL TRUST

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. FOREIGN CURRENCY CONTRACTS

When the Fund purchases or sells foreign securities it may enter into foreign exchange contracts to minimize foreign exchange risk from the trade date to the settlement date of the transactions. A foreign exchange contract is an agreement between two parties to exchange different currencies at an agreed upon exchange rate on a specified date. Realized and unrealized gains and losses are included in the Statement of Operations.

The risks of these contracts include movement in the values of the foreign currencies relative to the U.S. dollar and the possible inability of the counterparties to fulfill their obligations under the contracts.

D. INCOME TAXES

No provision has been made for income taxes because the Fund's policy is to qualify as a regulated investment company under the Internal Revenue Code and to distribute substantially all of its taxable income. Fund distributions to shareholders are determined on a tax basis and may differ from net investment income and realized gains for financial reporting purposes.

E. SECURITY TRANSACTIONS, INVESTMENT INCOME, EXPENSES AND DISTRIBUTIONS

Security transactions are accounted for on trade date. Realized gains and losses on security transactions are determined on a specific identification basis. Interest income and estimated expenses are accrued daily. Discounts and premiums on securities purchased are amortized over the lives of the respective securities. Dividend income and distributions to shareholders are recorded on the ex-dividend date.

F. ACCOUNTING ESTIMATES

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

G. GUARANTEES AND INDEMNIFICATIONS

Under the Fund's organizational documents, its officers and trustees are indemnified against certain liability arising out of the performance of their duties to the Fund. Additionally, in the normal course of business, the Fund enters into contracts with service providers that contain general indemnification clauses. The Fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred. However, based on experience, the Fund expects the risk of loss to be remote.

FRANKLIN UNIVERSAL TRUST

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. SHARES OF BENEFICIAL INTEREST

At August 31, 2004, there were an unlimited number of shares authorized (\$.01 par value). During the year ended August 31, 2004, there were no share transactions; all reinvested distributions were satisfied with previously issued shares purchased in the open market. During the year ended August 31, 2003, 309,686 shares were issued for \$1,567,138 from reinvested distributions.

3. SENIOR FIXED-RATE NOTE

On August 29, 2003, the Fund issued \$55 million principal amount of a new class of a five-year senior note (the Note). The Note is a general unsecured obligation of the Fund and ranks senior to Trust shares and all existing or future unsecured indebtedness of the Fund.

The Note bears interest, payable semi-annually, at the rate of 4.14% per year, to maturity on August 29, 2008. The Fund may prepay the Note, in whole or in part, at any time subject to a prepayment premium. The Note was issued in a private placement, and is not available for resale. The fair value of the Note approximates the principal amount as the Fund may repay the Note at any time prior to maturity. The Fund is required to maintain on a monthly basis a specified discounted asset value for its portfolio in compliance with guidelines established by Standard & Poor's Corporation, and is required to maintain asset coverage for the Note of at least 300%. The Fund has met these requirements during the year ended August 31, 2004.

The issuance costs of \$200,000 incurred by the Fund are deferred and amortized on an interest method basis over the term of the Note.

4. TRANSACTIONS WITH AFFILIATES

Certain officers and trustees of the Fund are also officers or directors of the following entities:

ENTITY	AFFILIATION
Franklin Advisers Inc. (Advisers)	Investment manager
Franklin Templeton Services, LLC (FT Services)	Administrative manager

A. MANAGEMENT FEE

The Fund pays an investment management fee to Advisers of .75% per year of the average weekly net assets plus the principal amount of the Note.

B. ADMINISTRATIVE FEES

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

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FRANKLIN UNIVERSAL TRUST

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. EXPENSE OFFSET ARRANGEMENT

The Fund has entered into an arrangement with its custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Fund's custodian expenses. During the year ended August 31, 2004, the custodian fees were reduced as noted in the Statement of Operations.

6. INCOME TAXES

At August 31, 2004, the Fund had tax basis capital losses of \$66,131,276 which may be carried over to offset future capital gains. Such losses expire as follows:

Capital loss carryovers expiring in:	
2008	\$ 5,088,195
2009	1,167,255
2010	6,827,086
2011	34,372,527
2012	18,676,213

	\$66,131,276
	=====

At August 31, 2004, the Fund had deferred capital losses occurring subsequent to October 31, 2003 of \$3,019,069. For tax purposes, such losses will be reflected in the year ending August 31, 2005.

The tax character of distributions paid during the years ended August 31, 2004 and 2003, was as follows:

	-----	-----
	2004	2003
	-----	-----
Distributions paid from ordinary income	\$10,052,746	\$13,869,575
	=====	=====

Net investment income and net realized capital losses differ for financial statement and tax purposes primarily due to differing treatments of defaulted securities, foreign currency transactions, and bond discounts and premiums.

At August 31, 2004, the cost of investments, net unrealized appreciation (depreciation) and undistributed ordinary income for income tax purposes were as follows:

Cost of investments	\$ 238,199,768
	=====
Unrealized appreciation	53,717,340
Unrealized depreciation	(58,964,970)

Net unrealized appreciation (depreciation)	\$ (5,247,630)
	=====
Distributable earnings-undistributed ordinary income	\$ 1,982,194
	=====

7. INVESTMENT TRANSACTIONS

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Purchases and sales of investments (excluding short-term securities) for the year ended August 31, 2004 aggregated \$107,303,536 and \$103,928,552, respectively.

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FRANKLIN UNIVERSAL TRUST

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. INVESTMENT IN FRANKLIN INSTITUTIONAL FIDUCIARY TRUST MONEY MARKET PORTFOLIO

The Fund may invest in the Franklin Institutional Fiduciary Trust Money Market Portfolio (the Sweep Money Fund), an open-end investment company managed by Advisers. Management fees paid by the Fund are reduced on assets invested in the Sweep Money Fund, in an amount not to exceed the management fees paid by the Sweep Money Fund.

9. CREDIT RISK AND DEFAULTED SECURITIES

The Fund has 70% of its portfolio invested in below investment grade and comparable quality unrated high yield securities, which tend to be more sensitive to economic conditions than higher rated securities. The risk of loss due to default by the issuer may be significantly greater for the holders of high yielding securities because such securities are generally unsecured and are often subordinated to other creditors of the issuer.

The Fund held defaulted securities and/or other securities for which the income has been deemed uncollectible. At August 31, 2004, the value of these securities was \$6,406,729, representing 2.8% of the Fund's portfolio. The Fund discontinues accruing income on securities for which income has been deemed uncollectible and provides an estimate for losses on interest receivable. For information as to specific securities, see the accompanying Statement of Investments.

10. RESTRICTED SECURITIES

At August 31, 2004, investments in securities included issues that are restricted and illiquid. Restricted securities are often purchased in private placement transactions, are not registered under the Securities Act of 1933, may have contractual restrictions on resale, and are valued under methods approved by the Board of Trustees as reflecting fair value. A security may also be considered illiquid if it lacks a readily available market or if its valuation has not changed for a certain period of time. At August 31, 2004, the Fund held investments in restricted and illiquid securities that were valued under approved methods by the Trustees, as follows:

PRINCIPAL AMOUNT/WARRANTS	ISSUER	ACQUISITION DATE
\$765,361	Atherton Franchise Capital, LP, 13.073%, 12/01/08	4/28/94
3,000	Poland Telecom Finance, wts., 144A, 12/01/07	11/24/97
TOTAL RESTRICTED SECURITIES (.06% OF NET ASSETS)		

FRANKLIN UNIVERSAL TRUST

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

11. REGULATORY MATTERS

MASSACHUSETTS ADMINISTRATIVE PROCEEDING

On September 20, 2004, Franklin Resources, Inc. (Franklin Resources, Inc. and its subsidiaries are referred to collectively as the "Company") announced that an agreement has been reached by two of its subsidiaries, Franklin Advisers, Inc. ("Franklin Advisers") and Franklin Templeton Alternative Strategies, Inc. ("FTAS"), with the Securities Division of the Office of the Secretary of the Commonwealth of Massachusetts (the "State of Massachusetts") related to an administrative complaint filed on February 4, 2004. The administrative complaint addressed one instance of market timing that was also a subject of the August 2, 2004 settlement that Franklin Advisers reached with the SEC, as described below.

Under the terms of the settlement consent order issued by the State of Massachusetts, Franklin Advisers and FTAS have consented to the entry of a cease-and-desist order and agreed to pay a \$5 million administrative fine to the State of Massachusetts. The consent order has multiple sections, including "Statements of Fact" and "Violations of Massachusetts Securities Laws." The Company admitted the "Statements of Fact." The Company did not admit or deny the "Violations of the Massachusetts Securities Laws." While Franklin Advisers and FTAS did not admit or deny engaging in any wrongdoing, the Company believes that it is in its best interest and the interests of its funds' shareholders to settle this issue now and move forward.

U.S. SECURITIES AND EXCHANGE COMMISSION (SEC) SETTLEMENT

On August 2, 2004, the Company announced that an agreement has been reached by Franklin Advisers with the SEC that resolves the issues resulting from the SEC's investigation of market timing activity and the SEC issued an "Order instituting administrative and cease-and-desist proceedings pursuant to sections 203(e) and 203(k) of the Investment Advisers Act of 1940 and sections 9(b) and 9(f) of the Investment Company Act of 1940, making findings and imposing remedial sanctions and a cease-and-desist order" (the "Order"). The SEC's Order concerns the activities of a limited number of third parties that ended in 2000 and those that are the subject of the Massachusetts administrative complaint described above.

Under the terms of the SEC's Order, pursuant to which Franklin Advisers neither admits nor denies any wrongdoing, Franklin Advisers has agreed to pay \$50 million, of which \$20 million is a civil penalty, to be distributed to shareholders of certain funds in accordance with a plan to be developed by an Independent Distribution Consultant. At this time, it is unclear which funds will receive distributions or which shareholders of any particular fund will receive distributions. The SEC Order also requires Franklin Advisers to, among other things, enhance and periodically review compliance policies and procedures.

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FRANKLIN UNIVERSAL TRUST

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

11. REGULATORY MATTERS (CONTINUED)

OTHER GOVERNMENTAL INVESTIGATIONS

As part of ongoing investigations by the SEC, the U.S. Attorney for the Northern District of California, the New York Attorney General, the California Attorney General, the U.S. Attorney for the District of Massachusetts, the Florida Department of Financial Services and the Commissioner of Securities, the West Virginia Attorney General, the Vermont Department of Banking, Insurance, Securities, and Health Care Administration and the National Association of Securities Dealers, relating to certain practices in the mutual fund industry, including late trading, market timing and payments to securities dealers who sell fund shares, the Company and its subsidiaries, as well as certain current or former executives and employees of the Company, have received requests for information and/or subpoenas to testify or produce documents. The Company and its current employees have been providing documents and information in response to these requests and subpoenas. In addition, the Company has responded to requests for similar kinds of information from regulatory authorities in some of the foreign countries where the Company conducts its global asset management business.

The staff of the SEC has also informed the Company that it is considering recommending a civil action or proceeding against Franklin Advisers and Franklin Templeton Distributors, Inc. ("FTDI") concerning payments to securities dealers who sell fund shares (commonly referred to as "revenue sharing"). The staff of the California Attorney General's Office ("CAGO") also has advised the Company that the California Attorney General is authorized to bring a civil action against the Company and FTDI arising from the same events. Even though the Company currently believes that the charges the SEC staff and CAGO staff are contemplating are unwarranted, it also believes that it is in the best interest of the Company's and funds' shareholders to resolve these issues voluntarily, to the extent the Company can reasonably do so. The Company continues to have discussions towards resolving these governmental investigations.

OTHER LEGAL PROCEEDINGS

The Company, in addition to other entities within Franklin Templeton Investments, including certain of its subsidiaries, other funds, and current and former officers, employees, and directors have been named in multiple lawsuits in different federal courts in Nevada, California, Illinois, New York and Florida, alleging violations of various federal securities laws and seeking, among other things, monetary damages and costs. Specifically, the lawsuits claim breach of duty with respect to alleged arrangements to permit market timing and/or late trading activity, or breach of duty with respect to the valuation of the portfolio securities of certain funds managed by Company subsidiaries, resulting in alleged market timing activity. The majority of these lawsuits duplicate, in whole or in part, the allegations asserted in the Massachusetts administrative complaint described above. The lawsuits are styled as class actions or derivative actions on behalf of either the named funds or the Company.

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FRANKLIN UNIVERSAL TRUST

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

11. REGULATORY MATTERS (CONTINUED)

OTHER LEGAL PROCEEDINGS (CONTINUED)

Various subsidiaries of the Company have also been named in multiple lawsuits filed in state courts in Illinois alleging breach of duty with respect to valuation of the portfolio securities of certain funds managed by such subsidiaries.

In addition, the Company and certain of its subsidiaries, as well as certain current and former officers, employees, and directors have been named in multiple lawsuits alleging violations of various securities laws and pendent state law claims relating to the disclosure of directed brokerage payments and/or payment of allegedly excessive advisory, commission, and distribution fees. These lawsuits are styled as class actions and derivative actions brought on behalf of certain funds.

The Company's management strongly believes that the claims made in each of these lawsuits are without merit and intends to vigorously defend against them.

The Company cannot predict with certainty the eventual outcome of the foregoing governmental investigations or class actions or other lawsuits. If the Company finds that it bears responsibility for any unlawful or inappropriate conduct that caused losses to the Trust, it is committed to making the Trust or its shareholders whole, as appropriate.

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FRANKLIN UNIVERSAL TRUST

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

TO THE BOARD OF TRUSTEES AND SHAREHOLDERS OF FRANKLIN UNIVERSAL TRUST

In our opinion, the accompanying statement of assets and liabilities, including the statement of investments, and the related statement of operations, of changes in net assets, and of cash flows and the financial highlights present fairly, in all material respects, the financial position of Franklin Universal Trust (hereafter referred to as the "Fund") at August 31, 2004, the results of its operations and its cash flows for the year then ended, the changes in its net assets for each of the two years then ended and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Fund's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at August 31, 2004 by correspondence with the custodian, provide a reasonable basis for our opinion.

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PricewaterhouseCoopers LLP

San Francisco, California

October 8, 2004

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FRANKLIN UNIVERSAL TRUST

TAX DESIGNATION (UNAUDITED)

Under Section 854(b)(2) of the Internal Revenue Code (Code), the Fund hereby designates up to a maximum of \$2,218,413 as qualified dividends for purposes of the maximum rate under Section 1(h)(11) of the Code for the fiscal year ended August 31, 2004. In January 2005, shareholders will receive Form 1099-DIV which will include their share of qualified dividends distributed during the calendar year 2004. Shareholders are advised to check with their tax advisors for information on the treatment of these amounts on their individual income tax returns.

Under Section 854(b)(2) of the Code, the Fund hereby designates 16.95% of the ordinary income dividends as income qualifying for the dividends received deduction for the fiscal year ended August 31, 2004.

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BOARD MEMBERS AND OFFICERS

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

INDEPENDENT BOARD MEMBERS

NAME, AGE AND ADDRESS	POSITION	LENGTH OF TIME SERVED	NUMBER OF PORTFOLIOS IN FUND COMPLEX OVERSEEN BY BOARD MEMBER*
HARRIS J. ASHTON (72) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 1988	140

PRINCIPAL OCCUPATION DURING PAST 5 YEARS:

Director of various companies; and FORMERLY, Director, RBC Holdings, Inc. (bank holding company)
Executive Officer and Chairman of the Board, General Host Corporation (nursery and craft centers)

ROBERT F. CARLSON (76) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2000	49
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PRINCIPAL OCCUPATION DURING PAST 5 YEARS:

Senior Member and past President, Board of Administration, California Public Employees Retirement

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member and Chairman of the Board, Sutter Community Hospitals; member, Corporate Board, Blue Shield California Department of Transportation.

 S. JOSEPH FORTUNATO (72) Trustee Since 1989 141
 One Franklin Parkway
 San Mateo, CA 94403-1906

PRINCIPAL OCCUPATION DURING PAST 5 YEARS:
 Attorney; and FORMERLY, member of the law firm of Pitney, Hardin, Kipp & Szuch.

 EDITH E. HOLIDAY (52) Trustee Since January 96
 One Franklin Parkway 2004
 San Mateo, CA 94403-1906

 PRINCIPAL OCCUPATION DURING PAST 5 YEARS:
 Director or Trustee of various companies and trusts; and FORMERLY, Assistant to the President of the Cabinet (1990-1993); General Counsel to the United States Treasury Department (1989-1990); and Assistant Secretary for Public Affairs and Public Liaison-United States Treasury Department (1988

 FRANK W.T. LAHAYE (75) Trustee Since 1988 113
 One Franklin Parkway
 San Mateo, CA 94403-1906

PRINCIPAL OCCUPATION DURING PAST 5 YEARS:
 General Partner, Las Olas L.P. (Asset Management); and FORMERLY, Chairman, Peregrine Venture Mana

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NAME, AGE AND ADDRESS	POSITION	LENGTH OF TIME SERVED	NUMBER OF PORTFOLIOS I FUND COMPLEX OVERSEEN BY BOARD MEMBER*
GORDON S. MACKLIN (76) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 1993	140

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 PRINCIPAL OCCUPATION DURING PAST 5 YEARS:

Deputy Chairman, White Mountains Insurance Group, Ltd. (holding company); and FORMERLY, Chairman, services) (1993-1998) and Hambrecht & Quist Group (investment banking) (1987-1992); and President Securities Dealers, Inc. (1970-1987).

INTERESTED BOARD MEMBERS AND OFFICERS

NAME, AGE AND ADDRESS	POSITION	LENGTH OF TIME SERVED	NUMBER OF PORTFOLIOS I FUND COMPLEX OVERSEEN BY BOARD MEMBER*
**EDWARD B. JAMIESON (56) One Franklin Parkway San Mateo, CA 94403-1906	Trustee, President and Chief Executive Officer- Investment Management	Trustee and President since 1993 and Chief Executive Officer -Investment Management since 2002	8

 PRINCIPAL OCCUPATION DURING PAST 5 YEARS:

Executive Vice President and Portfolio Manager, Franklin Advisers, Inc.; and officer and/or trust subsidiaries of Franklin Resources, Inc. and of five of the investment companies in Franklin Temp

**CHARLES B. JOHNSON (71) One Franklin Parkway San Mateo, CA 94403-1906	Trustee and Chairman of the Board	Trustee since 1988 and Chairman of the Board since 1993	140
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 PRINCIPAL OCCUPATION DURING PAST 5 YEARS:

Chairman of the Board, Member-Office of the Chairman and Director, Franklin Resources, Inc.; Vice Distributors, Inc.; Director, Fiduciary Trust Company International; and officer and/or director some of the other subsidiaries of Franklin Resources, Inc. and of 46 of the investment companies

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NAME, AGE AND ADDRESS	POSITION	LENGTH OF TIME SERVED	NUMBER OF PORTFOLIOS I FUND COMPLEX OVERSEEN BY BOARD MEMBER*
RUPERT H. JOHNSON, JR. (64) One Franklin Parkway San Mateo, CA 94403-1906	Trustee and Senior Vice President	Trustee and Senior Vice President since 1988	123

 PRINCIPAL OCCUPATION DURING PAST 5 YEARS:

Vice Chairman, Member-Office of the Chairman and Director, Franklin Resources, Inc.; Vice Preside

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Distributors, Inc.; Director, Franklin Advisers, Inc. and Franklin Investment Advisory Services, Franklin Advisory Services, LLC; and officer and/or director or trustee, as the case may be, of s
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