

Edgar Filing: DELAWARE INVESTMENTS DIVIDEND & INCOME FUND INC - Form N-Q

DELAWARE INVESTMENTS DIVIDEND & INCOME FUND INC

Form N-Q

April 28, 2006

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF  
REGISTERED MANAGEMENT INVESTMENT COMPANY

Investment Company Act file number:	811-7460
Exact name of registrant as specified in charter:	Delaware Investments Divid Inc.
Address of principal executive offices:	2005 Market Street Philadelphia, PA 19103
Name and address of agent for service:	David F. Connor, Esq. 2005 Market Street Philadelphia, PA 19103
Registrant's telephone number, including area code:	(800) 523-1918
Date of fiscal year end:	November 30
Date of reporting period:	February 28, 2006

Item 1. Schedule of Investments.

Schedule of Investments (Unaudited)  
Delaware Investments Dividend and Income Fund, Inc.  
February 28, 2006

Common Stock- 73.95%  
Consumer Discretionary - 5.65%  
+@Avado Brands  
Gap  
\*+Great Wolf Resorts  
Limited Brands  
Mattel  
+XM Satellite Radio Holdings Class A

Consumer Staples - 5.56%  
B&G Foods  
ConAgra Foods  
Heinz (H.J.)

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Kimberly-Clark  
Safeway

Energy - 3.31%  
Chevron  
ConocoPhillips  
\*+Petroleum Geo-Services ADR

Financials - 12.70%  
Allstate  
Aon  
Chubb  
Hartford Financial Services Group  
Huntington Bancshares  
Morgan Stanley  
Wachovia  
Washington Mutual

Health Care - 9.98%  
Abbott Laboratories  
Baxter International  
Bristol-Myers Squibb  
Merck  
Pfizer  
Wyeth

Health Care REITs - 0.23%  
#Medical Properties Trust 144A

Hotel REITs - 0.76%  
Strategic Hotel Capital

Industrial REITs - 2.07%  
AMB Property

Industrials - 3.64%  
\*+Foster Wheeler  
Union Pacific  
Waste Management

Information Technology - 4.91%  
Hewlett-Packard  
International Business Machines  
+Xerox

Mall REITs - 2.63%  
General Growth Properties  
Simon Property Group

Manufactured Housing REITs - 0.40%  
Equity Lifestyle Properties

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Materials - 1.47%  
duPont (E.I.) deNemours

Mortgage REITs - 9.30%  
American Home Mortgage Investment  
\*Gramercy Capital  
\*Friedman Billings Ramsey Group Class A  
JER Investors Trust  
+#KKR Financial 144A  
\*MortgageIT Holdings  
+#Peoples Choice 144A  
\*Saxon Capital

Office REITs - 5.76%  
American Financial Realty Trust  
\*Duke Realty  
Brandywine Realty Trust  
\*Reckson Associates Realty

Shopping Center REITs - 0.38%  
\*Ramco-Gershenson Properties

Telecommunications - 3.49%  
AT&T  
Verizon Communications

Utilities - 1.71%  
+Mirant  
Progress Energy

Total Common Stock (cost \$98,157,248)

Convertible Preferred Stock- 4.65%  
Banking, Finance & Insurance - 1.49%  
Aspen Insurance 5.625% exercise price \$29.28, expiration date 12/31/49  
Chubb 7.00% exercise price \$71.40, expiration date 8/16/06  
oCitigroup Funding 5.18% exercise price \$29.50, expiration date 9/27/08  
\*E Trade Financial 6.125% exercise price \$21.82, expiration date 11/18/08  
\*Lehman Brothers Holdings 6.25% exercise price \$54.24, expiration date 10/15/07

Basic Materials - 0.37%  
Huntsman 5.00% exercise price \$28.29, expiration date 2/16/08

Cable, Media & Publishing - 0.24%  
#Interpublic 5.25% 144A exercise price \$13.66, expiration date 12/31/49

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Consumer Products - 0.33%

Newell Financial Trust I 5.25% exercise price \$50.69, expiration date 12/1/27

Energy - 0.59%

Chesapeake 4.50% exercise price \$44.17, expiration date 12/31/49

El Paso Energy Capital Trust 4.75% exercise price \$41.59, expiration date 3/31/28

Environmental Services - 0.58%

Allied Waste Industries 6.25% exercise price \$10.13, expiration date 4/1/06

Food, Beverage & Tobacco - 0.36%

Constellation Brands 5.75% exercise price \$17.08, expiration date 9/1/06

Utilities - 0.69%

Energy 7.625% exercise price \$87.64, expiration date 2/17/09

\*NRG Energy 5.75% exercise price \$60.45, expiration date 3/16/09

Total Convertible Preferred Stock (cost \$6,848,493)

Preferred Stock- 5.71%

Leisure, Lodging & Entertainment - 1.01%

Red Lion Hotels 9.50%

Real Estate - 4.70%

Equity Inns Series B 8.75%

LaSalle Hotel Properties 10.25%

Ramco-Gershenson Properties 9.50%

SL Green Realty 7.625%

Total Preferred Stock (cost \$8,172,500)

Commercial Mortgage-Backed Securities- 0.20%

#First Union National Bank Commercial Mortgage Series 2001-C2 L 144A 6.46%  
1/12/43

Total Commercial Mortgage-Backed Securities (cost \$304,488)

Convertible Bonds- 7.33%

Aerospace & Defense - 0.55%

#AAR 144A 1.75% 2/1/26 exercise price \$29.43, expiration date 2/1/26

EDO 4.00% 11/15/25 exercise price \$34.19, expiration date 11/15/25

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#L-3 Communications 144A 3.00% 8/1/35 exercise price \$102.31, expiration date 8/1/35  
299,062

Cable, Media & Publishing - 0.49%

#Charter Communications 144A 5.875% 11/16/09 exercise price \$2.42, expiration date 11/16/09  
#Playboy Enterprises 144A 3.00% 3/15/25 exercise price \$17.02, expiration date 3/15/25  
607,500

Capital Goods - Manufacturing - 0.19%

#Tyco International Group 144A 2.75% 1/15/18 exercise price \$22.78, expiration date 1/15/18  
284,375

Computers & Technology - 0.71%

Hutchinson Technology 3.25% 1/15/26 exercise price \$36.43, expiration date 1/15/26  
#Intel 144A 2.95% 12/15/35 exercise price \$31.53, expiration date 12/15/35  
#Sybase 144A 1.75% 2/22/25 exercise price \$25.22, expiration date 2/22/25

Energy - 0.99%

Halliburton 3.125% 7/15/23 exercise price \$37.65, expiration date 7/15/23  
Pride International 3.25% 5/1/33 exercise price \$25.70, expiration date 5/1/33  
Schlumberger 2.125% 6/1/23 exercise price \$80.00, expiration date 6/1/23

Health Care & Pharmaceuticals - 1.00%

CV Therapeutics 3.25% 8/16/13 exercise price \$27.00, expiration date 8/16/13  
Encysive Pharmaceuticals 2.50% 3/15/12 exercise price \$13.95, expiration date 3/15/12  
574,087  
#Nektar Therapeutics 144A 3.25% 9/28/12 exercise price \$21.52, expiration date 9/28/12  
414,750  
Teva Pharmaceutical Finance 0.25% 2/1/26 exercise price \$47.16, expiration date 2/1/26  
352,763

Leisure, Lodging & Entertainment - 0.45%

#Regal Entertainment Group 144A 3.75% 5/15/08 exercise price \$15.19, expiration date 5/15/08

Real Estate - 0.77%

MeriStar Hospitality 9.50% 4/1/10 exercise price \$10.18, expiration date 4/1/10

Retail - 0.92%

\*Dick's Sporting Goods 1.606% 2/18/24 exercise price \$58.13, expiration date 2/18/24  
286,900  
Lowe's Companies 0.861% 10/19/21 exercise price \$50.03, expiration date 10/19/21  
#Saks 144A 2.00% 3/15/24 exercise price \$18.69, expiration date 3/15/24  
#United Auto Group 144A 3.50% 4/1/26 exercise price \$47.39, expiration date 4/1/26

Technology - 0.36%

#Mercury Interactive 144A 4.75% 7/1/07 exercise price \$111.25, expiration date 7/1/07  
538,313

Telecommunications - 0.15%

Qwest Communications International 3.50% 11/15/25 exercise price \$5.90, expiration date 11/15/25

Transportation - 0.12%

\*#ExpressJet Holdings 144A 4.25% 8/1/23 exercise price \$18.20, expiration date 8/1/23  
174,750

Utilities - 0.63%

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#CenterPoint Energy 144A 3.75% 5/15/23 exercise price \$11.44, expiration date 5/15/23  
942,000

Total Convertible Bonds (cost \$10,356,999)

Corporate Bonds- 31.08%  
Banking - 0.17%  
Western Financial 9.625% 5/15/12

Basic Industry - 4.13%  
Abitibi-Consolidated  
6.95% 12/15/06  
\*7.875% 8/1/09  
\*AK Steel 7.875% 2/15/09  
Bowater 9.50% 10/15/12  
Georgia-Pacific  
8.875% 5/15/31  
9.50% 12/1/11

Gold Kist 10.25% 3/15/14  
\*Huntsman International 10.125% 7/1/09  
#Ineos Group Holdings 144A 8.50% 2/15/16  
Lyondell Chemical 10.50% 6/1/13  
\*#Nell AF Sarl 144A 8.375% 8/15/15  
NewPage 10.00% 5/1/12  
Norske Skog 8.625% 6/15/11  
#Port Townsend Paper 144A 12.00% 4/15/11  
Potlatch 13.00% 12/1/09  
\*Rhodia  
8.875% 6/1/11  
10.25% 6/1/10  
Smurfit Capital Funding 7.50% 11/20/25  
\*++Solutia 6.72% 10/15/37  
Tembec Industries 8.625% 6/30/09  
Witco 6.875% 2/1/26

Brokerage - 0.81%  
\*E Trade Financial 8.00% 6/15/11  
LaBranche & Company  
9.50% 5/15/09  
11.00% 5/15/12

Capital Goods - 1.83%  
\*Armor Holdings 8.25% 8/15/13  
#Case New Holland 144A 7.125% 3/1/14  
\*Graham Packaging 9.875% 10/15/14  
Interface 10.375% 2/1/10  
Interline Brands 11.50% 5/15/11  
Intertape Polymer 8.50% 8/1/14

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(TM)Mueller Holdings 14.75% 4/15/14  
\*#Panolam Industrial 144A 10.75% 10/1/13  
Trimas 9.875% 6/15/12

Consumer Cyclical - 2.12%  
\*Accuride 8.50% 2/1/15  
Carrols 9.00% 1/15/13  
General Motors Acceptance Corporation  
6.875% 9/15/11  
\*8.00% 11/1/31  
\*Landry's Restaurant 7.50% 12/15/14  
\*Metaldyne 10.00% 11/1/13  
\*#Neiman Marcus 144A 9.00% 10/15/15  
O'Charleys 9.00% 11/1/13  
\*#Uno Restaurant 144A 10.00% 2/15/11  
++Venture Holdings 12.00% 6/1/09  
\*Visteon  
7.00% 3/10/14  
8.25% 8/1/10  
Warnaco 8.875% 6/15/13

Consumer Non-Cyclical - 2.43%  
Biovail 7.875% 4/1/10  
\*Constellation Brands 8.125% 1/15/12  
Cott Beverages 8.00% 12/15/11  
#Doane Pet Care 144A 10.625% 11/15/15  
#Le-Natures 144A 10.00% 6/15/13  
National Beef Packing 10.50% 8/1/11  
Pilgrim's Pride 9.625% 9/15/11  
Playtex Products 9.375% 6/1/11  
Swift & Co. 12.50% 1/1/10  
True Temper Sports 8.375% 9/15/11  
#Warner Chilcott 144A 9.25% 2/1/15

Energy - 1.91%  
Bluewater Finance 10.25% 2/15/12  
Compton Petroleum Finance 7.625% 12/1/13  
#Copano Energy 144A 8.125% 3/1/16  
El Paso Natural Gas 7.625% 8/1/10  
El Paso Production Holding 7.75% 6/1/13  
#Hilcorp Energy 144A  
\*7.75% 11/1/15  
10.50% 9/1/10  
Inergy Finance  
6.875% 12/15/14  
#144A 8.25% 3/1/16

oSecunda International 12.60% 9/1/12  
Tennessee Gas Pipeline 8.375% 6/15/32  
#VeraSun Energy 144A 9.875% 12/15/12  
Whiting Petroleum 7.25% 5/1/13

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Financials - 0.15%  
FINOVA Group 7.50% 11/15/09

Media - 4.01%  
oAdelphia Communications 8.125% 7/15/06  
#CCH I 144A 11.00% 10/1/15  
Cenveo 9.625% 3/15/12  
Charter Communications Holdings  
\*11.125% 1/15/11  
(TM)13.50% 1/15/11  
o#Cleveland Unlimited 144A 12.73% 12/15/10  
CSC Holdings  
8.125% 8/15/09  
\*10.50% 5/15/16  
Dex Media East 12.125% 11/15/12  
Insight Midwest 10.50% 11/1/10  
Lodgenet Entertainment 9.50% 6/15/13  
\*Mediacom Capital 9.50% 1/15/13  
#RH Donnelley 144A 8.875% 1/15/16  
Sheridan Acquisition 10.25% 8/15/11  
\*Sirius Satellite 9.625% 8/1/13  
Vertis 10.875% 6/15/09  
Warner Music Group 7.375% 4/15/14  
XM Satellite Radio 12.00% 6/15/10

Real Estate - 0.84%  
American Real Estate Partners 8.125% 6/1/12  
BF Saul REIT 7.50% 3/1/14  
Tanger Properties 9.125% 2/15/08

Services Cyclical - 4.02%  
\*Adesa 7.625% 6/15/12  
\*#CCM Merger 144A 8.00% 8/1/13  
Corrections Corporation of America 7.50% 5/1/11  
\*Foster Wheeler 10.359% 9/15/11  
FTI Consulting 7.625% 6/15/13  
#Galaxy Entertainment Finance 144A 9.875% 12/15/12  
Gaylord Entertainment 8.00% 11/15/13  
(TM)H-Lines Finance Holdings 11.00% 4/1/13  
#Hertz 144A  
8.875% 1/1/14  
10.50% 1/1/16  
Horizon Lines 9.00% 11/1/12  
Kansas City Southern Railway 9.50% 10/1/08  
#Knowledge Learning 144A 7.75% 2/1/15  
Mandalay Resort Group 10.25% 8/1/07  
OMI 7.625% 12/1/13  
Penn National Gaming 8.875% 3/15/10  
Royal Caribbean Cruises 7.25% 3/15/18  
Seabulk International 9.50% 8/15/13  
\*Stena 9.625% 12/1/12  
(TM)Town Sports International 11.00% 2/1/14  
Wheeling Island Gaming 10.125% 12/15/09

Services Non-cyclical - 2.54%  
#Accellent 144A 10.50% 12/1/13

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Aleris International 9.00% 11/15/14  
Allied Waste North America 9.25% 9/1/12  
Casella Waste Systems 9.75% 2/1/13  
#CRC Health 144A 10.75% 2/1/16  
Geo Subordinate 11.00% 5/15/12  
\*HealthSouth  
    8.375% 10/1/11  
    10.75% 10/1/08  
US Oncology 10.75% 8/15/14  
\*(TM)Vanguard Health 11.25% 10/1/15

Technology & Electronics - 0.56%  
\*Magnachip Semiconductor 8.00% 12/15/14

\*#Sungard Data Systems 144A 10.25% 8/15/15

Telecommunications - 3.24%  
American Cellular 10.00% 8/1/11  
\*American Tower 7.125% 10/15/12  
\*#Centennial Communications 144A 10.00% 1/1/13  
\*Cincinnati Bell 8.375% 1/15/14  
#Digicel Limited 144A 9.25% 9/1/12  
(TM)Inmarsat Finance 10.375% 11/15/12  
iPCS 11.50% 5/1/12  
oIwo Escrow Company 8.35% 1/15/12  
Qwest  
    o7.741% 6/15/13  
    7.875% 9/1/11  
Rural Cellular 9.875% 2/1/10  
o#Rural Cellular 144A 10.43% 11/1/12  
#Telcordia Technologies 144A 10.00% 3/15/13  
\*Triton Communications 9.375% 2/1/11  
oUS LEC 12.716% 10/1/09  
#Wind Acquisition 144A 10.75% 12/1/15

Utilities - 2.32%  
Avista 9.75% 6/1/08  
++#Calpine 144A 9.90% 7/15/07  
#Dynegy Holdings 144A 10.125% 7/15/13  
Elwood Energy 8.159% 7/5/26  
Midwest Generation  
    8.30% 7/2/09  
    8.75% 5/1/34  
Mirant Americas 8.30% 5/1/11  
NRG Energy 7.25% 2/1/14  
Orion Power 12.00% 5/1/10  
=++#USGen New England 144A 7.459% 1/2/15

Total Corporate Bonds (cost \$46,879,245)

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Warrant- 0.00%  
+#Solutia 144A, exercise price \$7.59, expiration date 7/15/09

Total Warrant (cost \$55,294)

Repurchase Agreements - 10.12%  
With BNP Paribas 4.50% 3/1/06  
(dated 2/28/06, to be repurchased at \$9,054,132,  
collateralized by \$9,446,000 U.S.Treasury Bills  
due 8/24/06, market value \$9,236,988)

With Cantor Fitzgerald 4.50% 3/1/06 (dated 2/28/06, to be repurchased at  
\$2,023,253 collateralized by \$2,072,000 U.S. Treasury Notes 4.50% due 2/15/09,  
market value \$2,064,243)

With UBS Warburg 4.50% 3/1/06 (dated 2/28/06, to be repurchased at \$4,047,506,  
collateralized by \$4,077,000 U.S. Treasury Notes 4.625% due 5/15/06, market  
value \$4,131,169)

Total Repurchase Agreements (cost \$15,123,000)

Total Market Value of Securities Before Securities Lending Collateral - 133.04%  
(cost 185,897,267)

Securities Lending Collateral\*\*- 18.45%  
Short-Term Investments  
Fixed Rate Demand Notes - 2.29%  
Citigroup Global Markets 4.60% 3/1/06  
Washington Mutual 4.54% 3/28/06

oVariable Rate Demand Notes -16.16%  
American Honda Finance 4.57% 2/21/07  
ANZ National 4.55% 4/2/07  
Australia New Zealand 4.55% 4/2/07  
Bank of America 4.57% 2/23/07  
Bank of New York 4.54% 4/2/07  
Bank of the West 4.55% 3/2/06

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Bayerische Landesbank 4.59% 8/25/06  
Bear Stearns 4.63% 8/31/06  
Beta Finance 4.58% 4/18/06  
Canadian Imperial Bank 4.55% 4/2/07  
CDC Financial Products 4.66% 3/31/06  
Citigroup Global Markets 4.63% 3/7/06  
Commonwealth Bank Australia 4.54% 4/2/07  
Credit Suisse First Boston 4.55% 4/18/06  
Goldman Sachs 4.70% 2/28/07  
Manufacturers & Traders 4.57% 9/26/06  
Marshall & Ilsley Bank 4.55% 4/2/07  
Merrill Lynch Mortgage Capital 4.66% 3/7/06  
Morgan Stanley 4.74% 2/28/07  
National Australia Bank 4.54% 3/7/07  
National City Bank 4.53% 3/2/07  
Nordea Bank Norge 4.55% 4/2/07  
Procter & Gamble 4.46% 4/2/07  
Royal Bank of Scotland 4.54% 4/2/07  
Sigma Finance 4.58% 3/16/06  
Societe Generale 4.54% 4/2/07  
Toyota Motor Credit 4.55% 6/23/06  
Wells Fargo 4.56% 4/2/07

Total Securities Lending Collateral (cost \$27,581,708)  
27,581,708

Total Market Value of Securities - 151.49%  
(cost \$213,478,975)

Obligation to Return Securities Lending Collateral\*\* -  
(18.45%)

Commercial Paper Payable (par \$48,000,000) -  
(31.84%)  
(47,590,824)

Liabilities Net of Receivables and Other Assets (See Notes) -  
(1.20%)

Net Assets Applicable to 11,588,670 Shares Outstanding -  
100.00%

+Non-income producing security for the period ended February 28, 2006. oVariable rate security. The interest rate shown is the rate as of February 28, 2006. o(TM)Step coupon bond. Indicates security that has a zero coupon that remains in effect until a predetermined date at which time the stated interest rate becomes effective. =Security is being fair valued in accordance with the Fund's fair valuation policy. At February 28, 2006, the aggregate amount of fair valued securities equals \$21,302, which represented 0.01% of the Fund's net assets. See Note 1 in "Notes." @Illiquid security. At February 28, 2006, the aggregate amount of illiquid securities equals \$19,502, which represented 0.01% of the Fund's net assets. See Note 5 in "Notes." #Security exempt from registration under Rule 144A of the Securities Act of 1933. At February 28, 2006, the aggregate amount of Rule 144A securities equals \$19,367,674, which represented 12.96% of the Fund's net assets. See Note 5 in "Notes." oSecurity is currently in default. The issue has missed the maturity date. Bankruptcy proceedings are in process to determine distribution of assets. The date listed is the estimate of when proceedings will be finalized. ++Non-income producing security. Security is currently in default. \*Fully or partially on loan. \*\*See Note 4 in "Notes." oIncludes \$26,966,833 of securities loaned.

Summary of Abbreviations:

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REIT - Real Estate Investment Trust

ADR - American Depositary Receipts

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### Notes

#### 1. Significant Accounting Policies

The following accounting policies are in accordance with U.S. generally accepted accounting principals and are consistently followed by Delaware Investments Dividend and Income Fund, Inc. (the "Fund").

Security Valuation - Equity securities, except those traded on the Nasdaq Stock Market, Inc. (Nasdaq), are valued at the last quoted sales price as of the time of the regular close of the New York Stock Exchange (NYSE) on the valuation date. Securities traded on the Nasdaq are valued in accordance with the Nasdaq Official Closing Price, which may not be the last sales price. If on a particular day an equity security does not trade, then the mean between the bid and the asked prices will be used. Long-term debt securities are valued by an independent pricing service and such prices are believed to reflect the fair value of such securities. Short-term debt securities having less than 60 days to maturity are valued at amortized cost, which

approximates market value. Securities lending collateral is valued at amortized cost, which approximates market value. Other securities and assets for which market quotations are not readily available are valued at fair value as determined in good faith under the direction of the Fund's Board of Directors. In determining whether market quotations are readily available or fair valuation will be used, various factors will be taken into consideration, such as market closures, or with respect to foreign securities, aftermarket trading or significant events after local market trading (e.g., government actions or pronouncements, trading volume or volatility on markets, exchanges among dealers, or news events).

Federal Income Taxes - The Fund intends to continue to qualify for federal income tax purposes as a regulated investment company and make the requisite distributions to shareholders. Accordingly, no provision for federal income taxes has been made in the financial statements.

Distributions - The Fund has a managed distribution policy. Under the policy, the Fund declares and pays monthly distributions and is managed with a goal of generating as much of the distribution as possible from ordinary income (net investment income and short-term capital gains). The balance of the distribution then comes from long-term capital gains and if necessary, a return of capital. The current annualized rate is \$0.96 per share. The Fund continues to evaluate its monthly distribution in light of ongoing economic and market conditions and may change the amount of the monthly distributions in the future.

Borrowings - The Fund issues short-term commercial paper at a discount from par. The discount is amortized as interest expense over the life of the commercial paper using the straight-line method (See Note 3).

Repurchase Agreements - The Fund may invest in a pooled cash account along with other members of the Delaware Investments(R) Family of Funds pursuant to an exemptive order issued by the Securities and Exchange Commission. The aggregate daily balance of the pooled cash account is invested in repurchase agreements secured by obligations of the U.S. government. The respective collateral is held by the Fund's custodian bank until the maturity of the respective repurchase agreements. Each repurchase agreement is 102% collateralized. However, in the event of default or bankruptcy by the counterparty to the agreement, realization of the collateral may be subject to legal proceedings.

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Use of Estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Other - Expenses common to all funds within the Delaware Investments(R) Family of Funds are allocated amongst the funds on the basis of average net assets. Management fees and some other expenses are paid monthly. Security transactions are recorded on the date the securities are purchased or sold (trade date) for financial reporting purposes. Costs used in calculating realized gains and losses on the sale of investment securities are those of the specific securities sold. Dividend income is recorded on the ex-dividend date and interest income is recorded on the accrual basis. Discounts and premiums on non-convertible debt securities are amortized to interest income over the lives of the respective securities. Distributions received from investments in Real Estate Investment Trusts (REITs) are recorded as dividend income on ex-dividend date, subject to reclassification upon notice of the character of such distributions by the issuer. The Fund may direct certain security trades to brokers who have agreed to rebate a portion of the related brokerage commission to the Fund in cash. There were no commission rebates during the period ended February 28, 2006.

### 2. Investments

At February 28, 2006, the cost of investments for federal income tax purposes has been estimated since the final tax characteristics cannot be determined until fiscal year end. At February 28, 2006, the cost of investments and unrealized appreciation (depreciation) for the Fund was as follows:

Cost of investments	\$213,476,178
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Aggregate unrealized appreciation	\$ 19,965,392
Aggregate unrealized depreciation	(7,015,631)
Net unrealized appreciation	\$ 12,949,761

### 3. Commercial Paper

As of February 28, 2006, \$48,000,000 (par value) of commercial paper was outstanding with an amortized cost of \$47,590,824. The weighted average discount rate of commercial paper outstanding at February 28, 2006, was 4.68%. The average daily balance of commercial paper outstanding during the period ended February 28, 2006, was \$47,753,078 at a weighted discount rate of 4.31%. The maximum amount of commercial paper outstanding at any time during the period was \$48,000,000. In conjunction with the issuance of the commercial paper, the Fund entered into a line of credit arrangement with J.P. Morgan Chase for \$30,000,000. Interest on borrowings is based on market rates in effect at the time of borrowing. The commitment fee is computed at the rate of 0.12% per annum on the unused balance. During the period ended February 28, 2006, there were no borrowings under this arrangement.

### 4. Securities Lending

The Fund, along with other funds in the Delaware Investments(R) Family of Funds, may lend its securities pursuant to a security lending agreement (Lending Agreement) with J.P. Morgan Chase. Initial security loans made pursuant to the Lending Agreement are required to be secured by U.S. Treasury obligations and/or cash collateral not less than 102% of the market value of the securities issued in the United States. With respect to each loan, if the aggregate market value of the collateral held on any business day is less than the aggregate market value of the securities which are the subject of such loan, the borrower will be notified to provide additional collateral not less than the applicable collateral requirements. Cash collateral received is invested in fixed income securities, with a weighted average maturity not to exceed 90 days, rated in one

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of the top two tiers by Standard & Poor's Ratings Group or Moody's Investors Service, Inc. or repurchase agreements collateralized by such securities. However, in the event of default or bankruptcy by the lending agent, realization and/or retention of the collateral may be subject to legal proceedings. In the event the borrower fails to return loaned securities and the collateral received is insufficient to cover the value of the loaned securities and provided such collateral shortfall is not the result of investment losses, the lending agent has agreed to pay the amount of the shortfall to the Fund, or at the discretion of the lending agent, replace the loaned securities. The Fund continues to record dividends on the securities loaned and is subject to change in value of the securities loaned that may occur during the term of the loan. The Fund has the right under the Lending Agreement to recover the securities from the borrower on demand. The security lending agent and the borrower retain a portion of the earnings from the collateral investments. The Fund records security lending income net of such allocation.

At February 28, 2006, the market value of the securities on loan was \$26,966,833, for which cash collateral was received and invested in accordance with the Lending Agreement. Such investments are presented on the Schedule of Investments under the caption "Securities Lending Collateral."

### 5. Credit and Market Risks

The Fund may invest up to 10% of its total assets in illiquid securities, which may include securities with contractual restrictions on resale, securities exempt from registration under Rule 144A of the Securities Act of 1933, as amended, and other securities which may not be readily marketable. The relative illiquidity of these securities may impair the Fund from disposing of them in a timely manner and at a fair price when it is necessary or desirable to do so. While maintaining oversight, the Fund's Board of Directors has delegated to Delaware Management Company the day-to-day functions of determining whether individual securities are liquid for purposes of the Fund's limitation on investments in illiquid assets. Rule 144A and illiquid securities have been denoted on the Schedule of Investments.

The Fund invests in high-yield fixed income securities, which carry ratings of BB or lower by Standard & Poor's Ratings Group and/or Ba or lower by Moody's Investors Service, Inc. Investments in these higher yielding securities are generally accompanied by a greater degree of credit risk than higher rated securities. Additionally, lower rated securities may be more susceptible to adverse economic and competitive industry conditions than investment grade securities.

The Fund invests in REITs and is subject to some of the risks associated with that industry. If the Fund holds real estate directly as a result of defaults or receives rental income directly from real estate holdings, its tax status as a regulated investment company may be jeopardized. There were no direct holdings during the period ended February 28, 2006. The Fund's REIT holdings are also affected by interest rate changes, particularly if the REITs it holds use floating rate debt to finance their ongoing operations.

### Item 2. Controls and Procedures.

The registrant's principal executive officer and principal financial officer have evaluated the registrant's disclosure controls and procedures within 90 days of the filing of this report and have concluded that they are effective in providing reasonable assurance that the information required to be disclosed by the registrant in its reports or statements filed under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange

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Commission.

There were no significant changes in the registrant's internal control over financial reporting that occurred during the registrant's last fiscal quarter (the registrant's second fiscal half-year in the case of an annual report) that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 3. Exhibits.

File as exhibits as part of this Form a separate certification for each principal executive officer and principal financial officer of the registrant as required by Rule 30a-2(a) under the Act (17 CFR 270.30a-2(a)), exactly as set forth below:

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DELAWARE INVESTMENTS DIVIDEND AND INCOME FUND, INC.

JUDE T. DRISCOLL

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By: Jude T. Driscoll  
Title: Chief Executive Officer  
Date: April 27, 2006

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

JUDE T. DRISCOLL

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By: Jude T. Driscoll  
Title: Chief Executive Officer  
Date: April 27, 2006

MICHAEL P. BISHOF

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By: Michael P. Bishof  
Title: Chief Financial Officer  
Date: April 27, 2006