

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

DELAWARE INVESTMENTS DIVIDEND & INCOME FUND INC  
Form N-CSR  
August 03, 2006

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT  
INVESTMENT COMPANIES

Investment Company Act file number: 811-7460

Exact name of registrant as specified in charter:  
Delaware Investments Dividend and Income Fund, 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: May 31, 2006

Item 1. Reports to Stockholders

Semiannual Report

Delaware  
Investments  
Dividend and  
Income Fund, Inc.

May 31, 2006

[DELAWARE LOGO]

Closed-End

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Funds are not FDIC insured and are not guaranteed. It is possible to lose the principal amount invested.

Mutual fund advisory services provided by Delaware Management Company, a series of Delaware Management Business Trust, which is a registered investment advisor.

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## Sector allocation

Delaware Investments Dividend and Income Fund, Inc.

As of May 31, 2006

Sector	Percentage of Net Assets
Common Stock	75.03%
Consumer Discretionary	5.97%
Consumer Staples	6.88%
Energy	3.27%
Financials	12.86%
Health Care	9.74%
Health Care REITs	0.74%
Industrial REITs	2.30%
Industrials	4.26%
Information Technology	6.19%
Lodging REITs	1.50%
Mall REITs	2.64%
Manufactured Housing REITs	0.53%
Materials	1.58%
Mortgage REITs	6.50%
Office REITs	3.71%
Shopping Center REITs	0.65%
Specialty REITs	0.77%

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Telecommunications	3.30%
Utilities	1.64%
<hr/>	
Convertible Preferred Stock	4.08%
Banking, Finance & Insurance	1.50%
Basic Materials	0.35%
Cable, Media & Publishing	0.23%
Consumer Products	0.34%
Energy	0.46%
Food, Beverage & Tobacco	0.34%
Telecommunications	0.14%
Utilities	0.72%
<hr/>	
Preferred Stock	5.72%
Leisure, Lodging & Entertainment	1.04%
Real Estate	4.68%
<hr/>	
Commercial Mortgage-Backed Securities	0.20%
<hr/>	
Convertible Bonds	7.70%
Aerospace & Defense	0.53%
Cable, Media & Publishing	0.36%
Computers & Technology	1.14%
Energy	0.96%
Health Care & Pharmaceuticals	1.25%
Leisure, Lodging & Entertainment	0.48%
Real Estate	0.79%
Retail	0.92%
Technology	0.37%
Telecommunications	0.17%
Transportation	0.12%
Utilities	0.61%
<hr/>	
Corporate Bonds	30.63%
Banking	0.17%
Basic Industry	3.47%
Brokerage	0.78%
Capital Goods	1.88%
Consumer Cyclical	2.73%
Consumer Non-Cyclical	3.13%
Energy	2.13%
Financials	0.19%
Media	4.08%
Real Estate	0.67%
Services Cyclical	3.85%
Services Non-Cyclical	1.70%
Technology & Electronics	0.67%
Telecommunications	3.62%
Utilities	1.56%
<hr/>	
Warrant	0.00%
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Repurchase Agreements	8.53%
Securities Lending Collateral	17.76%
Fixed Rate Notes	4.79%
Variable Rate Notes	12.97%
Total Market Value of Securities	149.65%
Obligation to Return Securities Lending Collateral	(17.76%)
Commercial Paper Payable	(32.24%)
Receivables and Other Assets Net of Liabilities	0.35%
Total Net Assets	100.00%

1

Statement of net assets

Delaware Investments Dividend and Income Fund, Inc.

May 31, 2006 (Unaudited)

	Number of Shares	Market Value
Common Stock - 75.03%		
Consumer Discretionary - 5.97%		
=+  Avado Brands	1,390	\$ 1,307
Gap	132,200	2,406,040
*+Great Wolf Resorts	74,100	875,862
Limited Brands	104,000	2,824,640
Mattel	160,200	2,692,962
*+XM Satellite Radio Holdings		
Class A	2,000	28,840
		<u>8,829,651</u>
Consumer Staples - 6.88%		
*B&G Foods	6,250	96,250

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ConAgra Foods	117,600	2,657,760
Heinz (H.J.)	64,600	2,735,810
Kimberly-Clark	39,000	2,366,130
Safeway	98,300	2,317,914
		<hr/>
		10,173,864
		<hr/>
Energy - 3.27%		
Chevron	41,000	2,451,390
ConocoPhillips	34,900	2,208,821
*+Petroleum Geo-Services ADR	2,667	170,021
		<hr/>
		4,830,232
		<hr/>
Financials - 12.86%		
Allstate	43,000	2,365,430
Aon	64,700	2,306,555
Chubb	47,600	2,405,228
Hartford Financial Services Group	27,100	2,383,174
Huntington Bancshares	97,900	2,302,608
Morgan Stanley	41,000	2,444,420
Wachovia	44,000	2,354,000
Washington Mutual	53,400	2,451,593
		<hr/>
		19,013,008
		<hr/>
Health Care - 9.74%		
Abbott Laboratories	59,000	2,519,300
Baxter International	60,900	2,295,930
Bristol-Myers Squibb	101,200	2,484,460
Merck	73,100	2,433,499
Pfizer	99,700	2,358,902
Wyeth	50,500	2,309,870
		<hr/>
		14,401,961
		<hr/>
Health Care REITs - 0.74%		
#Medical Properties Trust 144A	35,000	423,850
Ventas	20,700	671,508
		<hr/>
		1,095,358
		<hr/>
Industrial REITs - 2.30%		
AMB Property	27,700	1,369,211
ProLogis	41,100	2,032,395
		<hr/>
		3,401,606
		<hr/>
Industrials - 4.26%		
Donnelley (R.R.) & Sons	74,700	2,403,857

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*+Foster Wheeler	6,960	307,974
Macquarie Infrastructure	40,800	1,134,240
Waste Management	66,800	2,446,217
		<hr/>
		6,292,288
		<hr/>
Information Technology - 6.19%		
Hewlett-Packard	72,600	\$ 2,350,788
Intel	129,100	2,326,382
International Business Machines	28,700	2,293,130
+Xerox	158,700	2,178,951
		<hr/>
		9,149,251
		<hr/>
Lodging REITs - 1.50%		
*Highland Hospitality	58,400	706,640
*Strategic Hotels & Resorts	73,400	1,506,168
		<hr/>
		2,212,808
		<hr/>
Mall REITs - 2.64%		
General Growth Properties	6	263
Macerich	12,800	882,048
Simon Property Group	37,900	3,017,977
		<hr/>
		3,900,288
		<hr/>
Manufactured Housing REITs - 0.53%		
Equity Lifestyle Properties	18,100	781,015
		<hr/>
		781,015
		<hr/>
Materials - 1.58%		
duPont (E.I.) deNemours	54,700	2,326,391
		<hr/>
		2,326,391
		<hr/>
Mortgage REITs - 6.50%		
*American Home Mortgage Investment	67,000	2,235,790
*Gramercy Capital	84,000	2,197,440
JER Investors Trust	56,000	875,280
KKR Financial	91,300	1,967,515
Peoples Choice	176,700	971,850
*Saxon Capital	122,400	1,364,760
		<hr/>
		9,612,635
		<hr/>

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Office REITs - 3.71%		
Brandywine Realty Trust	46,348	1,345,019
Duke Realty	76,600	2,599,804
*Reckson Associates Realty	40,120	1,542,213
		<hr/>
		5,487,036
		<hr/>
Shopping Center REITs - 0.65%		
Cedar Shopping Centers	31,000	450,740
*Ramco-Gershenson Properties	19,400	504,400
		<hr/>
		955,140
		<hr/>
Specialty REITs - 0.77%		
*Entertainment Properties Trust	27,800	1,141,190
		<hr/>
		1,141,190
		<hr/>
Telecommunications - 3.30%		
AT&T	94,900	2,473,094
Verizon Communications	77,200	2,409,412
		<hr/>
		4,882,506
		<hr/>
Utilities - 1.64%		
+Mirant	8,223	204,588
Progress Energy	52,900	2,223,916
		<hr/>
		2,428,504
		<hr/>
Total Common Stock		
(cost \$102,270,856)		110,914,732
		<hr/>

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	Number of Shares	Market Value
<hr/>		
Convertible Preferred Stock - 4.08%		
<hr/>		
Banking, Finance & Insurance - 1.50%		
Aspen Insurance 5.625%		
exercise price \$29.28,		

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Chubb 7.00% exercise price	8,800	\$ 424,600
expiration date 12/31/49		
\$35.70, expiration date		
8/16/06	15,000	532,650
~Citigroup Funding 5.02%		
exercise price \$29.50,		
expiration date 9/27/08	17,000	545,020
E Trade Group 6.125% exercise		
price \$21.82, expiration date		
11/18/08	9,000	283,500
*Lehman Brothers Holdings		
6.25% exercise price \$54.24,		
expiration date 10/15/07	16,000	434,000
		<hr/>
		2,219,770
		<hr/>
Basic Materials - 0.35%		
Huntsman 5.00% exercise price		
\$28.29, expiration date		
2/16/08	12,400	519,250
		<hr/>
		519,250
		<hr/>
Cable, Media & Publishing - 0.23%		
*#Interpublic 5.25% 144A		
exercise price \$13.66,		
expiration date 12/31/49	360	337,950
		<hr/>
		337,950
		<hr/>
Consumer Products - 0.34%		
Newell Financial Trust I 5.25%		
exercise price \$50.69,		
expiration date 12/1/27	11,630	507,359
		<hr/>
		507,359
		<hr/>
Energy - 0.46%		
*Chesapeake 4.50% exercise		
price \$44.17, expiration date		
12/31/49	3,650	340,363
El Paso Energy Capital Trust		
4.75% exercise price \$41.59,		
expiration date 3/31/28	9,250	336,700
		<hr/>
		677,063
		<hr/>
Food, Beverage & Tobacco - 0.34%		
*Constellation Brands 5.75%		
exercise price \$17.08,		
expiration date 9/1/06	13,800	500,250
		<hr/>





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#First Union National Bank Commercial Mortgage Series 2001-C2 L 144A 6.46% 1/12/43	\$300,000	298,137
		298,137
<hr/>		
Total Commercial Mortgage-Backed Securities (cost \$304,488)		298,137
<hr/>		
Convertible Bonds - 7.70%		
<hr/>		
Aerospace & Defense - 0.53%		
#AAR 144A 1.75% 2/1/26 exercise price \$29.43, expiration date 2/1/26	260,000	262,275
EDO 4.00% 11/15/25 exercise price \$34.19, expiration date 11/15/25	235,000	238,231
#L-3 Communications 144A 3.00% 8/1/35 exercise price \$102.31, expiration date 8/1/35	290,000	282,750
		783,256
<hr/>		
Cable, Media & Publishing - 0.36%		
#Playboy Enterprises 144A 3.00% 3/15/25 exercise price \$17.02, expiration date 3/15/25	600,000	522,750
		522,750
<hr/>		

(continues) 3

Statement of net assets

Delaware Investments Dividend and Income Fund, Inc.

May 31, 2006 (Unaudited)

	Principal Amount	Market Value
<hr/>		
Convertible Bonds (continued)		
<hr/>		
Computers & Technology - 1.14%		
Hutchinson Technology 3.25%		

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1/15/26 exercise price \$36.43, expiration date 1/15/26	\$340,000	\$ 309,400
#Informatica 144A 3.00% 3/15/26 exercise price \$20.00, expiration date 3/15/26	510,000	517,012
#Intel 144A 2.95% 12/15/35 exercise price \$31.53, expiration date 12/15/35	255,000	211,013
SanDisk 1.00% 5/15/13 exercise price \$82.36, expiration date 5/15/13	165,000	156,956
#Sybase 144A 1.75% 2/22/25 exercise price \$25.22, expiration date 2/22/25	500,000	491,250
		<hr/>
		1,685,631
		<hr/>
Energy - 0.96%		
Halliburton 3.125% 7/15/23 exercise price \$37.65, expiration date 7/15/23	250,000	505,313
Pride International 3.25% 5/1/33 exercise price \$25.70, expiration date 5/1/33	230,000	316,538
Schlumberger 2.125% 6/1/23 exercise price \$40.00, expiration date 6/1/23	360,000	601,199
		<hr/>
		1,423,050
		<hr/>
Health Care & Pharmaceuticals - 1.25%		
#Allergan 144A 1.50% 4/1/26 exercise price \$126.66, expiration date 4/1/26	415,000	394,769
#Amgen 144A 0.375% 2/1/13 exercise price \$79.48, expiration date 2/1/13	165,000	158,400
CV Therapeutics 3.25% 8/16/13 exercise price \$27.00, expiration date 8/16/13	125,000	115,000
Encysive Pharmaceuticals 2.50% 3/15/12 exercise price \$13.95, expiration date 3/15/12	630,000	445,724
#Nektar Therapeutics 144A 3.25% 9/28/12 exercise price \$21.52, expiration date 9/28/12	350,000	395,938
Teva Pharmaceutical Finance 0.25% 2/1/26 exercise price \$47.16, expiration date 2/1/26	345,000	337,238
		<hr/>
		1,847,069
		<hr/>

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Leisure, Lodging & Entertainment - 0.48%		
#Regal Entertainment Group		
144A 3.75% 5/15/08 exercise		
price \$14.97, expiration date		
5/15/08	550,000	712,250
		<hr/>
		712,250
		<hr/>
Real Estate - 0.79%		
MeriStar Hospitality 9.50%		
4/1/10 exercise price \$10.18,		
expiration date 4/1/10	1,100,000	1,172,875
		<hr/>
		1,172,875
		<hr/>
Retail - 0.92%		
*%Dick's Sporting Goods 1.606%		
2/18/24 exercise price		
\$58.13, expiration date		
2/18/24	380,000	286,900
~Lowe's Companies 0.861%		
10/19/21 exercise price		
\$50.03, expiration date		
10/19/21	280,000	305,200
#Saks 144A 2.00% 3/15/24		
exercise price \$14.92,		
expiration date 3/15/24	425,000	490,344
#United Auto Group 144A 3.50%		
4/1/26 exercise price \$23.69,		
expiration date 4/1/26	260,000	279,500
		<hr/>
		1,361,944
		<hr/>
Technology - 0.37%		
#Mercury Interactive 144A		
4.75% 7/1/07 exercise price		
\$111.25, expiration date		
7/1/07	550,000	549,313
		<hr/>
		549,313
		<hr/>
Telecommunications - 0.17%		
Qwest Communications		
International 3.50% 11/15/25		
exercise price \$5.90,		
expiration date 11/15/25	180,000	245,025
		<hr/>
		245,025
		<hr/>
Transportation - 0.12%		
*#ExpressJet Holdings 144A 4.25%		

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8/1/23 exercise price \$18.20, expiration date 8/1/23	200,000	180,750
		<hr/>
		180,750
		<hr/>
Utilities - 0.61%		
#CenterPoint Energy 144A		
3.75% 5/15/23 exercise price \$11.44, expiration date 5/15/23	800,000	896,000
		<hr/>
		896,000
		<hr/>
Total Convertible Bonds		
(cost \$11,053,817)		11,379,913
		<hr/>

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	Principal Amount	Market Value
<hr/>		
Convertible Bonds (continued)		
<hr/>		
Banking - 0.17%		
Western Financial Bank 9.625% 5/15/12	\$225,000	\$ 249,750
		<hr/>
		249,750
		<hr/>
Basic Industry - 3.47%		
Abitibi-Consolidated		
6.95% 12/15/06	20,000	20,200
*7.875% 8/1/09	200,000	197,500
*AK Steel 7.875% 2/15/09	340,000	339,150
Bowater 9.50% 10/15/12	575,000	589,374
Georgia-Pacific		
8.875% 5/15/31	70,000	72,100
9.50% 12/1/11	300,000	322,500
Gold Kist 10.25% 3/15/14	205,000	217,300
*Lyondell Chemical 10.50% 6/1/13	45,000	50,625
*#Nell AF Sarl 144A 8.375% 8/15/15	325,000	322,563
NewPage 10.00% 5/1/12	205,000	217,813
Norske Skog 8.625% 6/15/11	400,000	400,000
#Port Townsend Paper 144A 12.00% 4/15/11	450,000	373,500

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Potlatch 13.00% 12/1/09	475,000	560,691
*Rhodia 8.875% 6/1/11	98,000	99,470
Smurfit Capital Funding 7.50% 11/20/25	220,000	204,600
*++Solutia 6.72% 10/15/37	465,000	434,775
Tembec Industries 8.625% 6/30/09	845,000	477,425
Witco 6.875% 2/1/26	250,000	226,250
		<hr/>
		5,125,836
		<hr/>
Brokerage - 0.78%		
E Trade Financial 8.00% 6/15/11	465,000	483,600
LaBranche & Company 9.50% 5/15/09	300,000	320,250
11.00% 5/15/12	320,000	352,800
		<hr/>
		1,156,650
		<hr/>
Capital Goods - 1.88%		
Armor Holdings 8.25% 8/15/13	225,000	237,938
#Compression Polymer 144A 10.50% 7/1/13	125,000	130,625
*Graham Packaging 9.875% 10/15/14	250,000	256,250
Interface 10.375% 2/1/10	290,000	320,088
Interline Brands 11.50% 5/15/11	576,000	640,799
Intertape Polymer 8.50% 8/1/14	405,000	382,725
?Mueller Holdings 14.75% 4/15/14	285,000	240,825
#Panolam Industrial 144A 10.75% 10/1/13	220,000	217,800
Trimas 9.875% 6/15/12	370,000	355,200
		<hr/>
		2,782,250
		<hr/>
Consumer Cyclical - 2.73%		
*Accuride 8.50% 2/1/15	250,000	245,625
Ford Motor Credit 7.375% 10/28/09	300,000	276,527
*General Motors 8.375% 7/15/33	125,000	95,469
General Motors Acceptance Corporation 6.875% 9/15/11	385,000	362,067
*8.00% 11/1/31	250,000	235,435
Landry's Restaurant 7.50% 12/15/14	305,000	287,463
Mandalay Resort Group 9.50% 8/1/08	360,000	385,199
*Metaldyne 10.00% 11/1/13	405,000	390,824
#Neiman Marcus 144A 9.00% 10/15/15	230,000	240,638
*#NPC International 144A 9.50% 5/1/14	350,000	351,750
*O'Charleys 9.00% 11/1/13	225,000	231,188
*#Uno Restaurant 144A 10.00%		

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2/15/11	175,000	141,750
*Visteon		
7.00% 3/10/14	75,000	62,438
8.25% 8/1/10	230,000	215,050
*Warnaco 8.875% 6/15/13	500,000	517,499
		<hr/>
		4,038,922
		<hr/>
Consumer Non-Cyclical - 3.13%		
#Angiotech Pharmaceuticals 144A		
7.75% 4/1/14	270,000	270,675
Biovail 7.875% 4/1/10	660,000	671,549
Constellation Brands 8.125%		
1/15/12	130,000	134,225
Cott Beverages 8.00% 12/15/11	250,000	251,875
*Del Laboratories 8.00% 2/1/12	140,000	115,500
Doane Pet Care 10.625%		
11/15/15	195,000	243,424
*Dole Food 8.875% 3/15/11	215,000	211,506
#iPayment 144A 9.75% 5/15/14	200,000	201,500
#Le-Natures 144A 10.00%		
6/15/13	255,000	268,706
Marsh Supermarket 8.875%		
8/1/07	45,000	44,663
National Beef Packing 10.50%		
8/1/11	305,000	308,050
Pilgrim's Pride 9.625% 9/15/11	320,000	336,800
*Pinnacle Foods 8.25% 12/1/13	275,000	271,563
Playtex Products 9.375% 6/1/11	350,000	366,625
RJ Reynolds Tobacco Holdings		
7.875% 5/15/09	100,000	103,500
True Temper Sports 8.375%		
9/15/11	390,000	366,600
*Warner Chilcott 8.75% 2/1/15	455,000	456,138
		<hr/>
		4,622,899
		<hr/>

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Statement of net assets

Delaware Investments Dividend and Income Fund, Inc.

May 31, 2006 (Unaudited)

	Principal Amount	Market Value
<hr/>		
Convertible Bonds (continued)		
<hr/>		
Energy - 2.13%		
#Basic Energy Services 144A		

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7.125% 4/15/16	\$100,000	\$ 97,500
Bluewater Finance 10.25%		
2/15/12	280,000	291,200
*#Brigham Exploration 144A		
9.625% 5/1/14	95,000	94,644
Compton Petroleum Finance		
7.625% 12/1/13	135,000	132,300
#Copano Energy 144A 8.125%		
3/1/16	100,000	102,000
El Paso Natural Gas 7.625%		
8/1/10	200,000	207,500
El Paso Production Holding		
7.75% 6/1/13	350,000	358,750
#Hilcorp Energy I 144A		
7.75% 11/1/15	110,000	108,900
10.50% 9/1/10	100,000	109,250
Inergy Finance		
6.875% 12/15/14	250,000	236,875
*8.25% 3/1/16	75,000	77,250
Quicksilver Resources 7.125%		
4/1/16	200,000	192,000
~Secunda International 13.068%		
9/1/12	260,000	274,300
Tennessee Gas Pipeline 8.375%		
6/15/32	350,000	384,807
#VeraSun Energy 144A 9.875%		
12/15/12	230,000	248,400
*Whiting Petroleum 7.25%		
5/1/13	235,000	230,300
		<hr/>
		3,145,976
		<hr/>
Financials - 0.19%		
*FINOVA Group 7.50% 11/15/09	863,900	282,927
		<hr/>
		282,927
		<hr/>
Media - 4.08%		
}Adelphia Communications		
8.125% 7/15/06	325,000	151,125
#Affinion Group 144A 11.50%		
10/15/15	125,000	127,813
*CCH I 11.00% 10/1/15	289,000	249,985
*}Century Communications 9.50%		
9/1/06	415,000	383,875
*Cenveo 9.625% 3/15/12	190,000	203,419
#Charter Communications 144A		
5.875% 11/16/09	165,000	120,244
Charter Communications		
Holdings		
11.125% 1/15/11	230,000	146,050
?13.50% 1/15/11	690,000	451,950
~#Cleveland Unlimited 144A		
13.16% 12/15/10	150,000	159,750
*CSC Holdings 10.50% 5/15/16	495,000	522,225
Dex Media East 12.125%		
11/15/12	205,000	232,163
*Insight Midwest 10.50% 11/1/10	725,000	763,968



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Lodgenet Entertainment 9.50%		
6/15/13	505,000	542,875
*Mediacom Capital 9.50%		
1/15/13	545,000	550,450
#RH Donnelley 144A 8.875%		
1/15/16	125,000	126,250
Sheridan Acquisition 10.25%		
8/15/11	205,000	210,125
*Sirius Satellite 9.625% 8/1/13	75,000	71,250
*Vertis 10.875% 6/15/09	185,000	181,300
Warner Music Group 7.375%		
4/15/14	230,000	228,850
#XM Satellite Radio 144A 9.75%		
5/1/14	650,000	607,750
		<hr/>
		6,031,417
		<hr/>
Real Estate - 0.67%		
American Real Estate Partners		
8.125% 6/1/12	365,000	374,125
BF Saul REIT 7.50% 3/1/14	400,000	410,000
#Rouse Company 144A 6.75%		
5/1/13	125,000	124,375
Tanger Properties 9.125%		
2/15/08	80,000	83,873
		<hr/>
		992,373
		<hr/>
Services Cyclical - 3.85%		
*Adesa 7.625% 6/15/12	295,000	297,950
American Airlines 7.379%		
5/23/16	109,655	100,257
Brickman Group 11.75%		
12/15/09	120,000	130,500
*#CCM Merger 144A 8.00%		
8/1/13	350,000	337,750
Corrections Corporation of		
America 7.50% 5/1/11	390,000	395,850
FTI Consulting 7.625% 6/15/13	210,000	216,825
*#Galaxy Entertainment Finance		
144A 9.875% 12/15/12	400,000	420,000
Gaylord Entertainment 8.00%		
11/15/13	180,000	184,500
?H-Lines Finance Holdings		
11.00% 4/1/13	491,000	419,805
#Hertz 144A		
8.875% 1/1/14	150,000	156,750
*10.50% 1/1/16	65,000	70,688
Horizon Lines 9.00% 11/1/12	176,000	184,800
Kansas City Southern Railway		
9.50% 10/1/08	400,000	422,000
#Knowledge Learning 144A		
7.75% 2/1/15	315,000	300,431
OMI 7.625% 12/1/13	500,000	500,000
Royal Caribbean Cruises 7.25%		
3/15/18	95,000	95,348
Seabulk International 9.50%		
8/15/13	250,000	278,750

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	Principal Amount	Market Value
<hr/>		
Convertible Bonds (continued)		
<hr/>		
Services Cyclical (continued)		
Stena 9.625% 12/1/12	\$270,000	\$ 290,925
?Town Sports International 11.00% 2/1/14	385,000	308,000
Wheeling Island Gaming 10.125% 12/15/09	555,000	579,975
		<hr/>
		5,691,104
		<hr/>
Services Non-Cyclical - 1.70%		
Aleris International 9.00% 11/15/14	320,000	333,600
Casella Waste Systems 9.75% 2/1/13	420,000	445,725
#CRC Health 144A 10.75% 2/1/16	415,000	429,525
Geo Subordinate 11.00% 5/15/12	470,000	477,050
US Oncology 10.75% 8/15/14	295,000	327,819
?Vanguard Health 11.25% 10/1/15	665,000	492,100
		<hr/>
		2,505,819
		<hr/>
Technology & Electronics - 0.67%		
*Magnachip Semiconductor 8.00% 12/15/14	515,000	450,625
#Sensata Technologies BV 144A 8.00% 5/1/14	45,000	44,550
#Sunguard Data Systems 144A 10.25% 8/15/15	470,000	493,500
		<hr/>
		988,675
		<hr/>
Telecommunications - 3.62%		
American Cellular 10.00% 8/1/11	245,000	264,294
*American Tower 7.125% 10/15/12	275,000	282,563
*Cincinnati Bell 8.375% 1/15/14	470,000	477,050
#Digicel Limited 144A 9.25% 9/1/12	275,000	290,125
#Hughes Network Systems 144A		



	Principal Amount	
<hr/>		
Repurchase Agreements - 8.53%		
<hr/>		
With BNP Paribas 4.88%		
6/1/06 (dated 5/31/06, to be repurchased at \$7,929,075, collateralized by \$2,962,000 U.S. Treasury Notes 2.375% due 8/31/06, market value \$2,960,345, \$2,295,000 U.S. Treasury Notes 2.75% due 7/31/06, market value \$2,308,098, \$1,757,000 U.S. Treasury Notes 2.875% due 11/30/06, market value \$1,738,132 and \$1,014,000 U.S. Treasury Notes 6.50% due 2/15/10, market value \$1,084,964)	\$7,928,000	7,928,000

(continues) 7

Statement of net assets

Delaware Investments Dividend and Income Fund, Inc.

May 31, 2006 (Unaudited)

	Principal Amount	Market Value
<hr/>		
Repurchase Agreements (continued)		
<hr/>		
With Cantor Fitzgerald 4.88%		
6/1/06 (dated 5/31/06, to be repurchased at \$4,679,634, collateralized by \$2,034,000 U.S. Treasury Notes 2.50% due 9/30/06, market value \$2,027,084, \$2,034,000 U.S. Treasury Notes 3.50% due 11/15/06, market value \$2,024,618 and \$689,000 U.S. Treasury Notes 6.00% due 8/15/09, market value \$721,815)	\$4,679,000	\$ 4,679,000

Total Repurchase Agreements

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(cost \$12,607,000)	12,607,000
	<hr/>
Total Market Value of Securities Before Securities Lending Collateral - 131.89%	
(cost \$185,988,020)	194,965,106
	<hr/>

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Securities Lending Collateral\*\* - 17.76%

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Short-Term Investments

Fixed Rate Notes - 4.79%

Calyon 5.05% 6/19/06	878,465	878,465
Citigroup Global Markets 5.10% 6/1/06	4,113,507	4,113,507
Deutsche Bank London 5.00% 6/29/06	1,013,614	1,013,614
Washington Mutual Grand 5.00% 6/30/06	1,081,188	1,081,188
		<hr/>
		7,086,774
		<hr/>

~Variable Rate Notes - 12.97%

American Honda Finance 5.07% 2/21/07	608,168	608,168
ANZ National 5.05% 7/2/07	135,148	135,148
Australia New Zealand 5.06% 7/2/07	675,742	675,742
Bank of America 5.07% 2/23/07	878,465	878,465
Bank of New York 5.07% 7/2/07	540,594	540,594
Barclays 5.06% 5/18/07	878,465	878,465
Bayerische Landesbank 5.10% 8/25/06	675,742	675,742
Bear Stearns 5.13% 11/30/06	810,891	810,891
BNP Paribas 5.14% 7/2/07	675,742	675,742
Canadian Imperial Bank 5.06% 7/2/07	337,871	337,871
5.07% 11/22/06	675,742	675,742
CDC Financial Products 5.16% 6/30/06	878,465	878,465
Citigroup Global Markets 5.13% 6/7/06	878,465	878,465
Commonwealth Bank 5.05% 7/2/07	675,742	675,742
Goldman Sachs 5.20% 5/31/07	\$878,465	\$ 878,465
Manufacturers & Traders 5.07% 9/26/06	675,740	675,692
Marshall & Ilsley Bank 5.06% 7/2/07	743,317	743,317
Merrill Lynch Mortgage Capital 5.16% 6/7/06	608,168	608,168
Morgan Stanley 5.24% 5/31/07	837,921	837,921
National Australia Bank 5.04% 3/7/07	837,921	837,921
National City Bank 5.07% 3/2/07	810,966	811,194

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National Rural Utilities 5.07%		
7/2/07	1,067,673	1,067,673
Nordea Bank New York 5.06%		
5/16/07	337,870	337,854
Nordea Bank Norge 5.06%		
7/2/07	675,742	675,742
Royal Bank of Scotland 5.07%		
7/2/07	675,742	675,742
Societe Generale 4.99% 7/2/07	337,871	337,871
Toyota Motor Credit 5.05%		
6/23/06	675,744	675,747
Wells Fargo 5.07% 7/2/07	675,742	675,742
		<hr/>
		19,164,291
		<hr/>
Total Securities Lending Collateral		
(cost \$26,251,065)		26,251,065
		<hr/>
Total Market Value of Securities - 149.65%		
(cost \$212,239,085)		221,216,171!
		<hr/>
Obligation to Return Securities		
Lending Collateral - (17.76%)**		(26,251,065)
Commercial Paper Payable - (32.24%)		
(par \$48,000,000)		(47,664,550)
Receivables and Other Assets Net		
of Liabilities - 0.35%		522,157
		<hr/>
Net Assets Applicable to 11,588,670		
Shares Outstanding; Equivalent		
to \$12.76 per Share - 100.00%		\$147,822,713
		<hr/>

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Components of Net Assets at May 31, 2006:

Common stock, \$0.01 par		
value, 500,000,000 shares		
authorized to the Fund		\$134,704,945
Accumulated net realized gain		
on investments		4,140,682
Net unrealized appreciation of		
investments		8,977,086
		<hr/>
Total net assets		\$147,822,713

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- @ Illiquid security. At May 31, 2006, the aggregate amount of illiquid securities equaled \$1,307, which represented 0.001% of the Fund's net assets. See Note 8 in "Notes to Financial Statements."
  - + Non-income producing security for the period ended May 31, 2006.
  - } Security 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.
  - ? 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.
  - % Step coupon bond. Coupon increases/decreases periodically based on a predetermined schedule. Stated interest rate in effect at May 31, 2006.
  - ~ Variable rate security. The interest rate shown is the rate as of May 31, 2006.
  - # Security exempt from registration under Rule 144A of the Securities Act of 1933, as amended. At May 31, 2006, the aggregate amount of Rule 144A securities equaled \$16,704,952, which represented 11.30% of the Fund's net assets. See Note 8 in "Notes to Financial Statements."
  - = Security is being fair valued in accordance with the Fund's fair valuation policy. At May 31, 2006, the aggregate amount of fair valued securities equaled \$3,107, which represented 0.002% of the Fund's net assets. See Note 1 in "Notes to Financial Statements."
  - || Restricted Security. Investment in a security not registered under the Securities Act of 1933, as amended. This security has certain restrictions on resale which may limit its liquidity. At May 31, 2006, the aggregate amount of restricted securities equaled \$2,940,672 or 1.99% of the Fund's net assets. See Note 8 in "Notes to Financial Statements."
  - \* Fully or partially on loan.
  - \*\* See Note 7 in "Notes to Financial Statements."
  - ! Includes \$25,302,817 of securities loaned.

Summary of Abbreviations

ADR - American Depositary Receipts  
REIT - Real Estate Investment Trust

See accompanying notes

Statement of operations

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

Delaware Investments Dividend and Income Fund, Inc.

Six Months Ended May 31, 2006 (Unaudited)

## Investment Income:

- Dividends
- Interest
- Securities lending income

## Expenses:

- Management fees
- Reports to shareholders
- Commercial paper fees
- Accounting and administration expenses
- Dividend disbursing and transfer agent fees and expenses
- Legal and professional fees
- NYSE fees
- Taxes (other than taxes on income)
- Directors' fees
- Pricing fees
- Custodian fees
- Other

Total operating expenses (before interest expense)  
Interest expense

Total operating expenses (after interest expense)

Net Investment Income

## Net Realized and Unrealized Gain (Loss) on Investments:

- Net realized gain on investments
- Net change in unrealized appreciation/depreciation of investments

Net Realized and Unrealized Gain on Investments

Net Increase in Net Assets Resulting from Operations

See accompanying notes



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Statements of changes in net assets

Delaware Investments Dividend and Income Fund, Inc.

Increase (Decrease) in Net Assets from Operations:

Net investment income

Net realized gain on investments and foreign currencies

Net change in unrealized appreciation/depreciation of investments and foreign currencies

Net increase in net assets resulting from operations

Dividends and Distributions to Shareholders from (See Note 4):

Net investment income

Net realized gains

Capital Share Transactions:

Cost of shares repurchased (See Note 5)

Decrease in net assets derived from capital stock transactions

Net Increase (Decrease) in Net Assets

Net Assets:

Beginning of period

End of period [including undistributed (distributions in excess of) net investment income of \$0 and (\$59,410), respectively]

See accompanying notes

Statement of cash flows

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

Delaware Investments Dividend and Income Fund, Inc.

Six Months Ended May 31, 2006 (Unaudited)

Net Cash Provided by Operating Activities:

Net increase in net assets resulting from operations

Adjustments to reconcile net increase in net assets from operations to cash provided by operations

Amortization of premium and discount on securities purchased

Net proceeds from investment transactions

Net realized gain from investment transactions

Change in net unrealized appreciation/depreciation of investments

Decrease in receivable for investments sold

Decrease in interest and dividends receivable and other assets

Decrease in payable for investments purchased

Increase in interest payable

Decrease in accrued expenses and other liabilities

Total adjustments

Net cash provided by operating activities

Cash Flows Used for Financing Activities:

Cash provided by issuance of commercial paper

Repayment of commercial paper upon maturity

Cash dividends and distributions paid

Net cash used for financing activities

Net decrease in cash

Cash at beginning of period

Cash at end of period

Cash paid for interest expense for leverage

See accompanying notes

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## Financial highlights

Delaware Investments Dividend and Income Fund, Inc.

Selected data for each share of the Fund outstanding throughout each period were as follows:

	Six Months Ended 5/31/06(1)		
	(Unaudited)	11/30/05	11/30/04
Net asset value, beginning of period	\$ 12.650	\$ 12.960	\$ 11.700
Income (loss) from investment operations:			
Net investment income(3)	0.215	0.623	0.625
Net realized and unrealized gain (loss) on investments and foreign currencies	0.485	0.027	1.595
Total from investment operations	0.700	0.650	2.220
Less dividends and distributions from:			
Net investment income	(0.453)	(0.722)	(0.663)
Net realized gain on investments	(0.137)	(0.238)	(0.297)
Return of capital	-	-	-
Total dividends and distributions	(0.590)	(0.960)	(0.960)
Net asset value, end of period	\$ 12.760	\$ 12.650	\$ 12.960
Market value, end of period	\$ 12.160	\$ 12.550	\$ 11.760
Total return based on:(4)			
Market value	1.71%	15.38%	7.78%
Net asset value	5.89%	5.44%	20.29%
Ratios and supplemental data:			
Net assets, end of period (000 omitted)	\$147,823	\$146,638	\$166,929
Ratio of expenses to average net assets	2.56%	2.20%	1.51%
Ratio of expenses to adjusted average net assets (before interest expense) (5)	0.80%	0.91%	0.76%
Ratio of interest expense to adjusted average net assets(5)	1.14%	0.78%	0.36%
Ratio of net investment income to average net assets	3.35%	4.81%	5.10%
Ratio of net investment income to adjusted average net assets(5)	2.54%	3.70%	3.78%
Portfolio turnover	60%	94%	89%

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### Leverage Analysis:

Debt outstanding at end of period at par (000 omitted)	\$48,000	\$48,000	\$55,000
Average daily balance of debt outstanding (000 omitted)	\$47,722	\$51,697	\$54,893
Average daily balance of shares outstanding (000 omitted)	11,589	12,361	12,876
Average debt per share	\$ 4.120	\$ 4.180	\$ 4.260
Asset coverage per \$1,000 of debt outstanding at end of period	\$ 4,101	\$ 4,073	\$ 4,044

- (1) Ratios and portfolio turnover have been annualized and total return has not been annualized.
- (2) As required, effective December 1, 2001, the Fund adopted the provisions of the AICPA Audit Companies that requires amortization of all premiums and discounts on debt securities. The ended November 30, 2002 was a decrease in net investment income per share of \$0.025, an increase in net gain (loss) per share of \$0.025, a decrease in the ratio of net investment income to average net assets of 0.16%. Per share data for the periods ended to December 1, 2001 have not been restated to reflect this change in accounting.
- (3) The average shares outstanding method has been applied for per share information.
- (4) Total investment return is calculated assuming a purchase of common stock on the opening of the period and the closing of the last day of each period reported. Dividends and distributions, if any, are assumed to be reinvested at prices obtained under the Fund's dividend reinvestment plan. Total investment return based on net asset value will be higher than total investment return based on market value in periods where there is an increase in the discount or decrease in the premium of the market value to the net asset value. Conversely, total investment return based on net asset value will be lower than total investment return based on market value in periods where there is a decrease in the discount or an increase in the premium of the market value from the beginning to the end of such periods.
- (5) Adjusted average net assets excludes debt outstanding.

See accompanying notes

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### Notes to financial statements

Delaware Investments Dividend and Income Fund, Inc.

May 31, 2006 (Unaudited)

Delaware Investments Dividend and Income Fund, Inc. (the "Fund") is organized as a Maryland corporation and is a diversified closed-end management investment company under the Investment Company Act of 1940, as amended. The Fund's shares trade on the New York Stock Exchange under the symbol DDF.

The investment objective of the Fund is to seek high current income. Capital appreciation is a secondary objective.

#### 1. Significant Accounting Policies

The following accounting policies are in accordance with U.S generally accepted accounting principles and are consistently followed by the Fund.

Security Valuation - Equity securities, except those traded on the Nasdaq Stock

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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. U.S. Government and agency securities are valued at the mean between the bid and asked prices. 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.

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.

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 6).

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 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

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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 the ex-dividend date, subject to reclassification upon notice of the character of such distributions by the issuer.

Subject to seeking best execution, 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. Such commission rebates are included in realized gain on investments in the accompanying financial statements and totaled \$1,218 for the six months ended May 31, 2006. In general, best execution refers to many factors, including the price paid or received for a security, the commission charged, the promptness and reliability of execution, the confidentiality and placement accorded the order, and other factors affecting the overall benefit obtained by the Fund on the transaction. DMC, as defined below, and its affiliates have previously and may in the future act as an investment advisor to mutual funds or separate accounts affiliated with the administrator of the commission recapture program described above. In addition, affiliates of the administrator act as consultants in helping institutional clients choose investment advisors and may also participate in other types of businesses and provide other services in the investment management industry.

The Fund may receive earnings credits from its custodian when positive cash balances are maintained, which are used to offset custody fees. There were no earnings credits for the six months ended May 31, 2006.

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### 2. Investment Management, Administration Agreements and Other Transactions with Affiliates

In accordance with the terms of its investment management agreement, the Fund pays Delaware Management Company (DMC), a series of Delaware Management Business Trust and the investment manager, an annual fee of 0.55%, which is calculated daily based on the adjusted average weekly net assets.

Delaware Service Company, Inc. (DSC), an affiliate of DMC, provides accounting and administration services. The Fund pays DSC a monthly fee computed at an annual rate of 0.04% of the Fund's adjusted average weekly net assets for accounting and administration services.

For purposes of the calculation of investment management fees and administration fees, adjusted average weekly net assets does not include the commercial paper liability.

At May 31, 2006, the Fund had liabilities payable to affiliates as follows:

Investment management fee payable to DMC	\$90,476
Accounting and administration fees and other expenses payable to DSC	14,222
Other expenses payable to DMC and affiliates*	13,256

\* DMC, as part of its administration services, pays operating expenses on behalf of the Fund and is reimbursed on a periodic basis. Such expenses include items such as printing of shareholder reports, fees for audit, legal and tax services, stock exchange fees, custodian fees and directors fees.

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As provided in the investment management agreement, the Fund bears the cost of certain legal services, including internal legal services provided to the Fund by DMC employees. For the six months ended May 31, 2006, the Fund was charged \$9,987 for internal legal services provided by DMC.

Certain officers of DMC and DSC are officers and/or directors the Fund. These officers and directors are paid no compensation by the Fund.

During the six months ended May 31, 2006, Babak Zenouzi was appointed co-portfolio manager of the Fund. Mr. Zenouzi assumed primary responsibility for managing the REIT and convertible securities holdings for the Fund, and consults regularly with Damon J. Andres in this capacity. Mr. Zenouzi works with Mr. Andres, D. Tysen Nutt, Jr., Jordan L. Irving, Anthony A. Lombardi, Robert A. Vogel, Jr., Philip R. Perkins and Timothy L. Rabe in making day-to-day decisions for the Fund.

### 3. Investments

For the six months ended May 31, 2006, the Fund made purchases of \$55,543,545 and sales of \$65,477,354 of long-term investment securities other than long-term U.S. government securities and short-term investments.

At May 31, 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 May 31, 2006, the cost of investments was \$212,523,134. At May 31, 2006, the net unrealized appreciation was \$8,693,037, of which \$16,031,448 related to unrealized appreciation of investments and \$7,338,411 related to unrealized depreciation of investments.

### 4. Dividend and Distribution Information

Income and long-term capital gain distributions are determined in accordance with federal income tax regulations, which may differ from U.S. generally accepted accounting principles. Additionally, gains (losses) on net foreign currency transactions and net short-term gains on sales of investment securities are treated as ordinary income for federal income tax purposes. The tax character of dividends and distributions paid during the six months ended May 31, 2006 and the year ended November 30, 2005 was as follows:

	Six Months Ended 5/31/06*	Year Ended 11/30/05
Ordinary income	\$2,553,931	\$ 8,898,947
Long- term capital gains	4,283,384	2,947,249
Total	\$6,837,315	\$11,846,196

\* Tax information for the six months ended May 31, 2006 is an estimate and the tax character of dividends and distributions may be redesignated at fiscal year end.

The components of net assets are estimated since final tax characteristics cannot be determined until fiscal year end. As of May 31, 2006, the estimated components of net assets on a tax basis were as follows:

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Shares of beneficial interest	\$134,704,945
Undistributed ordinary income	1,040,644
Undistributed long-term capital gains	3,384,087
Unrealized appreciation of investments	8,693,037
	<hr/>
Net assets	\$147,822,713
	<hr/>

The differences between book basis and tax basis components of net assets are primarily attributable to tax deferral of losses on wash sales, tax treatment of market discount and premium on debt instruments and treatment of contingent payment debt instruments.

For financial reporting purposes, capital accounts are adjusted to reflect the tax character of permanent book/tax differences. Reclassifications are primarily due to tax treatment of market discounts and premiums on certain debt instruments and treatment of contingent payment debt instruments. Results of operations and net assets were not affected by these reclassifications. For the six months ended May 31, 2006, the Fund recorded an estimate of these differences since the final tax characteristics cannot be determined until fiscal year end.

Paid-in capital	\$ (59,410)
Undistributed net investment income	2,819,436
Accumulated net realized gain (loss)	(2,760,026)

### 5. Capital Stock

Shares issuable under the Fund's dividend investment plan are purchased by the Fund's transfer agent, Mellon Investor Services, LLC, in the open market. There were no shares issued under the dividend reinvestment plan for the six months ended May 31, 2006.

The Fund did not purchase any shares under the Share Repurchase Program or have any transactions in common shares during the six months ended May 31, 2006.

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### Notes to financial statements

Delaware Investments Dividend and Income Fund, Inc.

May 31, 2006 (Unaudited)

### 5. Capital Stock (continued)

On May 18, 2006, the Fund's Board of Directors approved a tender offer for shares of the Fund's common stock. The tender offer authorized the Fund to purchase up to 5% of its issued and outstanding shares at a price equal to the Fund's net asset value at the close of business on the New York Stock Exchange on July 3, 2006, the first business day following expiration of the offer. The tender offer commenced on June 2, 2006 and expired on June 30, 2006. In



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connection with the tender offer, the Fund purchased 579,434 shares of its common stock at a total cost of \$7,463,110. The tender offer was oversubscribed, and all tenders of shares were subject to proration (at a ratio of approximately 0.775731221) in accordance with the terms of the tender offer.

### 6. Commercial Paper

As of May 31, 2006, \$48,000,000 (par value) of commercial paper was outstanding with an amortized cost of \$47,664,550. The weighted average discount rate of commercial paper outstanding at May 31, 2006 was 5.03%. The average daily balance of commercial paper outstanding during the six months ended May 31, 2006 was \$47,722,118 at a weighted discount rate of 4.61%. The maximum amount of commercial paper outstanding at any time during the year was \$48,000,000. On June 22, 2006, the Fund reduced the commercial paper outstanding to \$44 million in conjunction with the tender offer. 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. For the six months ended May 31, 2006, the Fund was charged fees of \$19,243 which is included in "commercial paper fees" on the Statement of Operations. During the six months ended May 31, 2006, there were no borrowings under this arrangement.

### 7. 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 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 May 31, 2006, the market value of securities on loan was \$25,302,817, for which cash collateral was received and invested in accordance with the Lending Agreement. Such investments are presented on the Statement of Net Assets under the caption "Securities Lending Collateral."

### 8. Credit and Market Risks

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

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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 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 Board of Directors has delegated to DMC 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 identified on the Statement of Net Assets.

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 six months ended May 31, 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.

### 9. Contractual Obligations

The Fund enters into contracts in the normal course of business that contain a variety of indemnifications. The Fund's maximum exposure under these arrangements is unknown. However, the Fund has not had prior claims or losses pursuant to these contracts. Management has reviewed the Fund's existing contracts and expects the risk of loss to be remote.

### Other Fund information

Delaware Investments Dividend and Income Fund, Inc.

Board Consideration of Delaware Investments Dividend and Income Fund, Inc.  
Investment Advisory Agreement

At a meeting held on May 17-18, 2006 (the "Annual Meeting"), the Board of Trustees, including a majority of disinterested or independent Trustees, approved the renewal of the Investment Advisory Agreement for the Delaware Investments Dividend and Income Fund (the "Fund"). In making its decision, the Board considered information furnished throughout the year at regular Board meetings, as well as information prepared specifically in connection with the Annual Meeting. Information furnished and discussed throughout the year included reports detailing Fund performance, investment strategies, expenses, compliance matters and other services provided by Delaware Management Company ("DMC"), the investment advisor. Information furnished specifically in connection with the Annual Meeting included materials provided by DMC and its affiliates ("Delaware Investments") concerning, among other things, the level of services provided to the Fund, the costs of such services to the Fund, economies of scale and the financial condition and profitability of Delaware Investments. In addition, in connection with the Annual Meeting, the Board considered independent historical and comparative reports prepared by Lipper Inc. ("Lipper"), an independent statistical compilation organization. The Board also considered industry comparative information presented by representatives from Lipper. The Lipper

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reports compared the Fund's investment performance and expenses with those of other comparable mutual funds. The Board also received certain supplemental information regarding management's policy with respect to advisory fee levels and its philosophy with respect to breakpoints; the structure of portfolio manager compensation; and any constraints or limitations on the availability of securities in certain investment styles which might inhibit DMC's ability to fully invest in accordance with Fund policies.

In considering such materials, the independent Trustees received assistance and advice from and met separately with independent counsel and representatives from Lipper. At the meeting with representatives from Lipper, Mr. Driscoll, Chairman of the Delaware Investments(R) Family of Funds, and Chairman and Chief Executive Officer of the investment advisor, was present to respond to questions by Lipper and the independent Trustees. While the Board considered the Investment Advisory Agreements for all of the funds in the Delaware Investments Family of Funds at the same Board meeting, information was provided and considered by the Board for each fund individually. In approving the continuance of the Investment Advisory Agreement for the Fund, the Board, including a majority of independent Trustees, determined that the existing advisory fee structure was fair and reasonable and that the continuance of the Investment Advisory Agreement was in the best interests of the Fund and its shareholders. While attention was given to all information furnished, the following discusses the primary factors relevant to the Board's deliberations and determination, including those relating to the selection of the investment advisor and the approval of the advisory fee.

Nature, Extent And Quality of Service. Consideration was given to the services provided by Delaware Investments to the Fund and its shareholders. In reviewing the nature, extent and quality of services, the Board emphasized reports furnished to it throughout the year at regular Board meetings covering matters such as the relative performance of the Fund, compliance of portfolio managers with the investment policies, strategies and restrictions for the Fund, the compliance of management personnel with the Code of Ethics adopted throughout the Delaware Investments Family of Funds complex, the adherence to fair value pricing procedures as established by the Board, and the accuracy of net asset value calculations. The Board noted that it was pleased with the current staffing of the Fund's investment advisor and management's efforts to strengthen and deepen portfolio management teams during the past year, the emphasis on research and the compensation system for advisory personnel. Favorable consideration was given to DMC's efforts to maintain, and in some instances increase, financial and human resources committed to fund matters. Other factors taken into account by the Board were Delaware Investments' preparedness for, and response to, legal and regulatory matters. The Board also considered the transfer agent and shareholder services provided to Fund shareholders by Delaware Investments' affiliate, Delaware Service Company, Inc., noting DSC's commitment to maintain a high level of service in keeping with its past receipt of the DALBAR Pyramid Award, and the continuing expenditures by Delaware Investments to improve the delivery of shareholder services. Additionally, the Board noted the extent of benefits provided to Fund shareholders for being part of the Delaware Investments Family of Funds, including the privilege to exchange investments between the same class of shares of funds without a sales charge, the ability to reinvest Fund dividends into other funds and the privilege to combine holdings in other funds to obtain a reduced sales charge. The Board was satisfied with the nature, extent and quality of the overall services provided by Delaware Investments.

Investment Performance. The Board considered the investment performance of DMC and the Fund. The Board was pleased with DMC's investment performance. The Board placed significant emphasis on the investment performance of the Fund in view of its importance to shareholders. While consideration was given to performance reports and discussions with portfolio managers at Board meetings throughout the year, particular weight was given to the Lipper reports furnished for the Annual

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Meeting. The Lipper reports prepared for the Fund showed the investment performance of its Class A shares in comparison to a group of similar funds as selected by Lipper (the "Performance Universe"). A fund with the best performance is ranked first, and a fund with the poorest performance is ranked last. The highest/best performing 25% of funds in the Performance Universe make up the first quartile; the next 25% - the second quartile; the next 25% - the third quartile; and the poorest/worst performing 25% of funds in the Performance Universe make up the fourth quartile. Comparative annualized performance for the Fund was shown for the past one, three and five year periods ended January 31, 2006. The Board noted its objective that the Fund's performance be at or above the median of its Performance Universe. The following paragraph summarizes the performance results for the Fund and the Board's view of such performance.

The Performance Universe for the Fund consisted of the Fund and all retail and institutional income funds as selected by Lipper. The Lipper report comparison showed that the Fund's total return for the one and five year periods was in the first quartile of such Performance Universe. The report further showed that the Fund's total return for the three year period was in the second quartile. The Board was satisfied with such performance.

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### Other Fund information

Delaware Investments Dividend and Income Fund, Inc.

Board Consideration of Delaware Investments Dividend and Income Fund, Inc.  
Investment Advisory Agreement (continued)

Comparative Expenses. The Board considered expense data for the Delaware Investments Family of Funds. Management provided the Board with information on pricing levels and fee structures for the Funds. The Board focused particularly on the comparative analysis of the management fees and total expense ratios of the Fund and the management fees and expense ratios of a group of similar funds as selected by Lipper (the "Expense Group"). In reviewing comparative costs, the Fund's contractual management fee and the actual management fee incurred by the Fund were compared with the contractual management fees (assuming all funds in the Expense Group were similar in size to the Fund) and actual management fees (as reported by each fund) of other funds within the Expense Group, taking into effect any applicable breakpoints and fee waivers. The Fund's total expenses were also compared with those of its Expense Group. The Lipper total expenses, for comparative consistency, were shown by Lipper for Class A shares and compared total expenses including 12b-1 and non-12b-1 service fees. The Board also considered fees paid to Delaware Investments for non-management services. The Board noted its objective to limit the Fund's total expense ratio to an acceptable range as compared to the median of the Expense Group. The following paragraph summarizes the expense results for the Fund and the Board's view of such expenses.

The expense comparisons for the Fund showed that its actual management fee and total expenses were in the quartile with the lowest expenses of its Expense Group. The Board was satisfied with the management fees and total expenses of the Fund in comparison to its Expense Group as shown in the Lipper report.

Management Profitability. The Board considered the level of profits, if any, realized by Delaware Investments in connection with the operation of the Fund.

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In this respect, the Board reviewed the Investment Management Profitability Analysis that addressed the overall profitability of Delaware Investments' business in providing management and other services to each of the individual funds and the Delaware Investments(R) Family of Funds as a whole. Specific attention was given to the methodology followed in allocating costs for the purpose of determining profitability. Management stated that the level of profits of Delaware Investments, to a certain extent, reflected operational cost savings and efficiencies initiated by Delaware Investments. The Board considered Delaware Investments' expenditures to improve services provided to fund shareholders and to meet additional regulatory and compliance requirements resulting from recent SEC initiatives. The Board also considered the extent to which Delaware Investments might derive ancillary benefits from fund operations, including the potential for procuring additional business as a result of the prestige and visibility associated with its role as service provider to the Delaware Investments Family of Funds, the benefits from allocation of fund brokerage to improve trading efficiencies and the use of "soft" commission dollars to pay for proprietary and non-proprietary research. The Board did not find that the level of profits realized by Delaware Investments from the relationships with the Fund and the Delaware Investments Family of Funds required negotiation of reduction of fees.

Economies of Scale. The Trustees considered whether economies of scale are realized by Delaware Investments as the Fund's assets increase and the extent to which any economies of scale are reflected in the level of management fees charged. The Trustees took into account the standardized advisory fee pricing and structure approved by the Board and shareholders as part of a complex-wide shareholder meeting conducted in 1998/1999. At that time, Delaware Investments introduced breakpoints to account for management economies of scale. The Board noted that the fee under the Fund's management contract fell within the standard structure. The Board also noted that the Fund's assets exceeded the first breakpoint level. The Board believed that, given the extent to which economies of scale might be realized by the advisor and its affiliates, the schedule of fees under the Investment Advisory Agreement provides a sharing of benefits with the Fund and its shareholders.

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### About the organization

This semiannual report is for the information of Delaware Investments Dividend and Income Fund, Inc. shareholders. The figures in this report represent past results that are not a guarantee of future results. The return and principal value of an investment in the Fund will fluctuate so that shares, when sold, may be worth more or less than their original cost.

Notice is hereby given in accordance with Section 23(c) of the Investment Company Act of 1940 that the Fund may, from time to time, purchase shares of its Common Stock on the open market at market prices.

### Board of trustees

Jude T. Driscoll

Chairman  
Delaware Investments(R) Family of Funds  
Philadelphia, PA

Thomas L. Bennett +

Private Investor

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Rosemont, PA

John A. Fry

President  
Franklin & Marshall College  
Lancaster, PA

Anthony D. Knerr

Founder and Managing Director  
Anthony Knerr & Associates  
New York, NY

Lucinda S. Landreth

Former Chief Investment Officer  
Assurant, Inc.  
Philadelphia, PA

Ann R. Leven

Owner - ARL Associates, Financial  
Strategic Consultants  
Washington, DC

Thomas F. Madison +

President and Chief Executive Officer  
MLM Partners, Inc.  
Minneapolis, MN

Janet L. Yeomans +

Vice President and Treasurer  
3M Corporation  
St. Paul, MN

J. Richard Zecher +

Founder  
Investor Analytics  
Scottsdale, AZ

+ Audit Committee Member

Affiliated officers

Michael P. Bishof

Senior Vice President and  
Chief Financial Officer  
Delaware Investments Family of Funds  
Philadelphia, PA

David F. Connor

Vice President, Deputy General Counsel,  
and Secretary  
Delaware Investments Family of Funds  
Philadelphia, PA

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David P. O'Connor

Senior Vice President, General Counsel,  
and Chief Legal Officer  
Delaware Investments Family of Funds  
Philadelphia, PA

John J. O'Connor

Senior Vice President and Treasurer  
Delaware Investments Family of Funds  
Philadelphia, PA

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| Delaware Investments is the marketing name of Delaware  
| Management Holdings, Inc. and its subsidiaries.  
|  
| The Fund files its complete schedule of portfolio holdings with  
| the Securities and Exchange Commission for the first and third  
| quarters of each fiscal year on Form N-Q. The Fund's Forms  
| N-Q, as well as a description of the policies and procedures  
| that the Fund uses to determine how to vote proxies (if any)  
| relating to portfolio securities are available without charge  
| (i) upon request, by calling 800 523-1918; (ii) on the Fund's  
| Web site at <http://www.delawareinvestments.com>; and  
| (iii) on the Commission's Web site at <http://www.sec.gov>.  
| The Fund's Forms N-Q may be reviewed and copied at the  
| Commission's Public Reference Room in Washington, D.C.;  
| information on the operation of the Public Reference Room  
| may be obtained by calling 800 SEC-0330.  
|  
| Information (if any) regarding how the Fund voted proxies  
| relating to portfolio securities during the most recently  
| disclosed 12-month period ended June 30 is available  
| without charge (i) through the Fund's Web site at  
| <http://www.delawareinvestments.com>; and (ii) on the  
| Commission's Web site at <http://www.sec.gov>.

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Contact information

Investment Manager

Delaware Management Company, a series  
of Delaware Management Business Trust  
Philadelphia, PA

Principal Office of the Fund

2005 Market Street  
Philadelphia, PA 19103

Independent Registered Public  
Accounting Firm

Ernst & Young LLP  
2001 Market Street  
Philadelphia, PA 19103

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Registrant and Stock Transfer  
Agent

Mellon Investor Services, LLC  
480 Washington Boulevard  
Jersey City, NJ 07310  
800 851-9677

For securities dealers and  
financial institutions  
representatives only

800 362-7500

Web site

[www.delawareinvestments.com](http://www.delawareinvestments.com)

	Your Reinvestment Options	
	Delaware Investments Dividend and Income Fund,	
	Inc. offers an automatic dividend reinvestment	
	program. If you would like to reinvest dividends, and	
	shares are registered in your name, contact Mellon	
	Investor Services, LLC at 800 851-9677. You will	
	be asked to put your request in writing. If you have	
	shares registered in "street" name, contact the	
	broker/dealer holding the shares or your financial	
	advisor.	

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Item 2. Code of Ethics

Not applicable.

Item 3. Audit Committee Financial Expert

Not applicable.



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### Item 4. Principal Accountant Fees and Services

Not applicable.

### Item 5. Audit Committee of Listed Registrants

Not applicable.

### Item 6. Schedule of Investments

Included as part of report to shareholders filed under Item 1 of this Form N-CSR.

### Item 7. Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies

Not applicable.

### Item 8. Portfolio Managers of Closed-End Management Investment Companies

Applicable to Form N-CSRs filed after fiscal years ending on or after December 31, 2005.

Not applicable.

### Item 9. Purchases of Equity Securities by Closed-End Management Investment Companies and Affiliated Purchasers

Not applicable.

### Item 10. Submission of Matters to a Vote of Security Holders

Not applicable.

### Item 11. 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 Commission.

There were no significant changes in the registrant's internal control over financial reporting that occurred during the second fiscal quarter of the period covered by the report to stockholders included herein (i.e., the registrant's second fiscal quarter) that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

### Item 12. Exhibits

#### (a) (1) Code of Ethics

Not applicable.

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(2) Certifications of Principal Executive Officer and Principal Financial Officer pursuant to Rule 30a-2 under the Investment Company Act of 1940 are attached hereto as Exhibit 99.CERT.

(3) Written solicitations to purchase securities pursuant to Rule 23c-1 under the Securities Exchange Act of 1934.

Not applicable.

(b) Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 are furnished herewith as Exhibit 99.906CERT.

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.

Name of Registrant: Delaware Investments Dividend and Income Fund, Inc.

PATRICK P. COYNE

\_\_\_\_\_  
By: Patrick P. Coyne  
Title: President and Chief Executive Officer  
Date: August 3, 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.

PATRICK P. COYNE

\_\_\_\_\_  
By: Patrick P. Coyne  
Title: President and Chief Executive Officer  
Date: August 3, 2006

MICHAEL P. BISHOF

\_\_\_\_\_  
By: Michael P. Bishof  
Title: Chief Financial Officer  
Date: August 3, 2006