

DELAWARE INVESTMENTS DIVIDEND & INCOME FUND INC

Form N-Q

October 31, 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
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: August 31, 2006

Item 1. Schedule of Investments (Unaudited)

Delaware Investments Dividend and Income Fund, Inc.

August 31, 2006

Common Stock - 76.85%

Consumer Discretionary - 5.15%

=II@+ Avado Brands

Gap

Limited Brands

Mattel

Starwood Hotels & Resorts Worldwide

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

Consumer Staples - 6.98%
ConAgra Foods
Heinz (H.J.)
Kimberly-Clark
Safeway

Diversified REITs - 0.72%
iStar Financial

Energy - 3.23%
Chevron
ConocoPhillips
*+ Petroleum Geo-Services ADR

Financials - 13.37%
Allstate
Aon
Chubb
Hartford Financial Services Group
Huntington Bancshares
Morgan Stanley
Wachovia
Washington Mutual

Health Care - 10.37%
Abbott Laboratories
Baxter International
Bristol-Myers Squibb
Merck
Pfizer
Wyeth

Health Care REITs - 1.40%
+# Medical Properties Trust 144A
* Nationwide Health Properties
Ventas

Industrial REITs - 3.11%
AMB Property
First Potomac Realty Trust
ProLogis

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

Industrials - 4.36%

Donnelley (R.R.) & Sons

*+ Foster Wheeler

* Macquarie Infrastructure

*+ Petrojarl ADR

Waste Management

Information Technology - 6.65%

Hewlett-Packard

Intel

International Business Machines

+ Xerox

Hotel REITs - 0.99%

* Highland Hospitality

* Strategic Hotels & Resorts

Mall REITs - 2.97%

General Growth Properties

Macerich

Simon Property Group

Manufactured Housing REITs - 0.56%

Equity Lifestyle Properties

Materials - 1.50%

duPont (E.I.) deNemours

Mortgage REITs - 2.05%

* American Home Mortgage Investment

* Gramercy Capital

JER Investors Trust

+II KKR Financial

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

Multi Family REITs - 0.97%
Equity Residential

Office REITs - 5.32%
Brandywine Realty Trust
Duke Realty
Liberty Property Trust
Mack-Cali Realty
* Parkway Properties
Reckson Associates Realty

Self -Storage REITS - 0.18%
* U-Store-It Trust

Shopping Center REITs - 0.91%
* Cedar Shopping Centers
* Ramco-Gershenson Properties

Specialty REITs - 0.95%
* Entertainment Properties Trust

Telecommunications - 3.34%
AT&T
Verizon Communications

Utilities - 1.77%
+ Mirant
Progress Energy

Total Common Stock (cost \$96,041,313)

Convertible Preferred Stock - 3.75%

Banking, Finance & Insurance - 1.18%
Aspen Insurance 5.625% exercise price \$29.28, expiration date 12/31/49

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

~ Citigroup Funding exercise price \$29.50, expiration date 9/27/08
E Trade Group 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 - 0.44%

Freeport-McMoRan Copper & Gold 5.50% exercise price \$48.29, expiration date 12/31/49
Huntsman 5.00% exercise price \$28.29, expiration date 2/16/08

Cable, Media & Publishing - 0.22%

Interpublic 5.25% 144A exercise price \$13.66, expiration date 12/31/49

Consumer Products - 0.37%

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

Energy - 0.48%

* 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

Food, Beverage & Tobacco - 0.38%

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

Telecommunications - 0.14%

Lucent Technologies Capital Trust I 7.75% exercise price \$4.84, expiration date 3/15/17

Utilities - 0.54%

Entergy 7.625% exercise price \$87.64, expiration date 2/17/09
NRG Energy 5.75% exercise price \$60.45, expiration date 3/16/09

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

Total Convertible Preferred Stock (cost \$5,477,979)

Preferred Stock - 5.49%

Leisure, Lodging & Entertainment - 0.67%

Red Lion Hotels 9.50%

Real Estate - 4.82%

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 \$7,663,725)

Commercial Mortgage-Backed Securities - 0.21%

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 - 8.52%

Aerospace & Defense - 0.54%

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

L-3 Communications 144A 3.00% 8/1/35 exercise price \$102.16, expiration date 8/1/35

Cable, Media & Publishing - 0.37%

#Playboy Enterprises 144A 3.00% 3/15/25 exercise price \$17.02, expiration date 3/15/25

Computers & Technology - 1.83%

Fairchild Semiconductor International 5.00% 11/1/08 exercise price \$30.00, expiration date 11/1/08

Hutchinson Technology 3.25% 1/15/26 exercise price \$36.43, expiration date 1/15/26

Informatica 144A 3.00% 3/15/26 exercise price \$20.00, expiration date 3/15/26

Intel 144A 2.95% 12/15/35 exercise price \$31.53, expiration date 12/15/35

^ ON Semiconductor Series B 1.142% 4/15/24 exercise price \$9.82 expiration date 4/15/24

SanDisk 1.00% 5/15/13 exercise price \$82.36, expiration date 5/15/13

Sybase 144A 1.75% 2/22/25 exercise price \$25.22, expiration date 2/22/25

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

Energy - 0.89%

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 \$40.00, expiration date 6/1/23

Health Care & Pharmaceuticals - 1.29%

Allergan 144A 1.50% 4/1/26 exercise price \$126.66, expiration date 4/1/26
Amgen 144A 0.375% 2/1/13 exercise price \$79.48, expiration date 2/1/13
CV Therapeutics 3.25% 8/16/13 exercise price \$27.00, expiration date 8/16/13
Encysive Pharmaceuticals 2.50% exercise price \$13.95, expiration date 3/15/12
Nektar Therapeutics 144A 3.25% 9/28/12 exercise price \$21.52, expiration date 9/28/12
Teva Pharmaceutical Finance 0.25% 2/1/26 exercise price \$47.16, expiration date 2/1/26

Leisure, Lodging & Entertainment - 0.51%

Regal Entertainment Group 144A 3.75% 5/15/08 exercise price \$14.97, expiration date 5/15/08

Real Estate - 0.78%

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

Retail - 0.90%

*; Dick's Sporting Goods 1.606% 2/18/24 exercise price \$58.13, expiration date 2/18/24
~ 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 \$14.92, expiration date 3/15/24
United Auto Group 144A 3.50% 4/1/26 exercise price \$23.69, expiration date 4/1/26

Technology - 0.38%

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

Telecommunications - 0.20%

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

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

Transportation - 0.12%

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

Utilities - 0.71%

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

Total Convertible Bonds (cost \$11,929,631)

Corporate Bonds - 29.30%

Basic Industry - 3.41%

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 9.50% 12/1/11

* Gold Kist 10.25% 3/15/14

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

*** Solutia 6.72% 10/15/37

Tembec Industries 8.625% 6/30/09

Verso Paper 144A 9.125% 8/1/14

Witco 6.875% 2/1/26

Brokerage - 0.70%

E Trade Financial 8.00% 6/15/11

LaBranche & Company

9.50% 5/15/09

11.00% 5/15/12

Capital Goods - 1.89%

Armor Holdings 8.25% 8/15/13

CPG International I 10.50% 7/1/13

* Graham Packaging 9.875% 10/15/14

Interface 10.375% 2/1/10

Interline Brands 8.125% 6/15/14

Intertape Polymer 8.50% 8/1/14

{ Mueller Holdings 14.75% 4/15/14

{* NTK Holdings 10.75% 3/1/14

RBS Global/Rexnord 144A 9.50% 8/1/14

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

*# TransDigm 144A 7.75% 7/15/14
Trimas 9.875% 6/15/12

Consumer Cyclical - 2.32%
Accuride 8.50% 2/1/15

Baker & Taylor 144A 11.50% 7/1/13
Ford Motor Credit
7.375% 10/28/09
* 9.875% 8/10/11
* General Motors 8.375% 7/15/33
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
9.00% 10/15/15
* 10.375% 10/15/15
*# NPC International 144A 9.50% 5/1/14
* O'Charleys 9.00% 11/1/13
*# Uno Restaurant 144A 10.00% 2/15/11
* Visteon 8.25% 8/1/10
Warnaco 8.875% 6/15/13

Consumer Non-Cyclical - 2.40%
Angiotech Pharmaceuticals 144A 7.75% 4/1/14
Biovail 7.875% 4/1/10
Constellation Brands 8.125% 1/15/12
Cott Beverages 8.00% 12/15/11
* Dole Food 8.875% 3/15/11
Ingles Markets 8.875% 12/1/11
Le-Natures 144A 10.00% 6/15/13
* Marsh Supermarket 8.875% 8/1/07
National Beef Packing 10.50% 8/1/11
Pilgrim's Pride 9.625% 9/15/11
Playtex Products 9.375% 6/1/11
True Temper Sports 8.375% 9/15/11
* Warner Chilcott 8.75% 2/1/15

Energy - 1.97%
Bluewater Finance 10.25% 2/15/12
Brigham Exploration 144A 9.625% 5/1/14

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

Compton Petroleum Finance 7.625% 12/1/13
Copano Energy 8.125% 3/1/16
El Paso Natural Gas
 7.625% 8/1/10
 8.375% 6/15/32
El Paso Performance-Linked Trust 144A 7.75% 7/15/11
El Paso Production 7.75% 6/1/13
*# Hilcorp Energy I 144A 9.00% 6/1/16
Inergy Finance
 6.875% 12/15/14
 * 8.25% 3/1/16
MarkWest Energy 144A 8.50% 7/15/16
*# PetroHawk Energy 144A 9.125% 7/15/13
~ Secunda International 13.507% 9/1/12
VeraSun Energy 9.875% 12/15/12
Whiting Petroleum 7.25% 5/1/13

Finance - 0.31%
FINOVA Group 7.50% 11/15/09
iPayment 144A 9.75% 5/15/14

Media - 3.28%
} Adelphia Communications 8.125% 12/15/06
*++ Century Communications 9.50% 11/30/06
Charter Communications 144A 5.875% 11/16/09
Charter Communications Holdings
 11.125% 1/15/11
 * 11.75% 5/15/11
 13.50% 1/15/11
#~ Cleveland Unlimited 144A 13.579% 12/15/10
Dex Media East 12.125% 11/15/12
Insight Communications 12.25% 2/15/11
Insight Midwest 10.50% 11/1/10

Lodgenet Entertainment 9.50% 6/15/13
* Mediacom Capital 9.50% 1/15/13
RH Donnelley 8.875% 1/15/16
Sheridan Acquisition 10.25% 8/15/11
* Vertis 10.875% 6/15/09
Warner Music Group 7.375% 4/15/14

Real Estate - 0.69%
American Real Estate Partners 8.125% 6/1/12
BF Saul REIT 7.50% 3/1/14

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

Rouse 144A 6.75% 5/1/13

Services Cyclical - 4.71%
Adesa 7.625% 6/15/12
American Airlines 7.377% 5/23/19
Boyd Gaming 8.75% 4/15/12
Brickman Group 11.75% 12/15/09
Corrections Corporation of America 7.50% 5/1/11
FTI Consulting 7.625% 6/15/13
*# Galaxy Entertainment Finance 144A 9.875% 12/15/12
Gaylord Entertainment 8.00% 11/15/13
Groupo Transportation 9.375% 5/1/12
{ 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
 9.50% 8/1/08
 * 9.375% 2/15/10
Mobile Service Group 144A 9.75% 8/1/14
OMI 7.625% 12/1/13
*# Penhall International 144A 12.00% 8/1/14
Pokagon Gaming Authority 144A 10.375% 6/15/14
Seabulk International 9.50% 8/15/13
Stena 9.625% 12/1/12
TDS Investor 144A 11.875% 9/1/16
{ Town Sports International 11.00% 2/1/14
Wheeling Island Gaming 10.125% 12/15/09

Services Non-Cyclical - 2.13%
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 144A 10.75% 6/15/16
US Oncology 10.75% 8/15/14
{ Vanguard Health 11.25% 10/1/15
WCA Waste 144A 9.25% 6/15/14

Technology & Electronics - 0.87%
* MagnaChip Semiconductor 8.00% 12/15/14
* STATS ChipPAC 7.50% 7/19/10
Sungard Data 10.25% 8/15/15
UGS Capital II PIK 144A 10.38% 6/1/11

Telecommunications - 3.42%
* American Tower

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

7.125% 10/15/12
7.25% 12/1/11
Broadview Network 144A 11.375% 9/1/12
* Cincinnati Bell 8.375% 1/15/14
Digicel Limited 144A 9.25% 9/1/12
*# Hughes Network Systems 144A 9.50% 4/15/14
{ Inmarsat Finance 10.375% 11/15/12
Intelsat Bermuda 144A 11.25% 6/15/16
* iPCS 11.50% 5/1/12

~ IWO Escrow Company 9.257% 1/15/12
Nordic Telephone Company Holdings 144A 8.875% 5/1/16

Qwest
144A 7.50% 10/1/14
~ 8.579% 6/15/13
Rural Cellular
* 9.875% 2/1/10
~ 11.239% 11/1/12
Telcordia Technologies 144A 10.00% 3/15/13
Triton Communications 9.375% 2/1/11
~ US LEC 13.62% 10/1/09
*# Wind Acquisition 144A 10.75% 12/1/15

Utilities - 1.20%
++# Calpine 144A 8.496% 7/15/07
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
Mirant North America 7.375% 12/31/13
Orion Power 12.00% 5/1/10
++=# USGen New England 144A 7.459% 1/2/15

Total Corporate Bonds (cost \$43,006,234)

Warrant - 0.00%

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

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

Total Warrant (cost \$55,294)

Repurchase Agreements - 4.84%

With BNP Paribas 5.20% 9/1/06 (dated 8/31/06, to be repurchased at \$4,222,610, collateralized by \$1,903,000 U.S. Treasury Notes 3.125% due 10/15/08, market value \$1,864,026, \$952,000 U.S. Treasury Notes 3.375% due 9/15/09, market value \$930,798, \$952,000 U.S. Treasury Notes 3.50% due 11/15/09, market value \$927,164 and \$603,000 U.S. Treasury Notes 3.50% due 12/15/09, market value \$585,338)

With Cantor Fitzgerald 5.20% 9/1/06 (dated 8/31/06, to be repurchased at \$952,138, collateralized by \$476,000 U.S. Treasury Notes 3.375% due 12/15/08, market value \$465,194 and \$488,000 U.S. Treasury Notes 6.00% due 8/15/09, market value \$506,406)

With UBS Warburg 5.20% 9/1/06 (dated 8/31/06, to be repurchased at \$1,903,275, collateralized by \$1,913,000 U.S. Treasury Notes 4.875% due 4/30/08, market value \$1,944,395)

Total Repurchase Agreements (cost \$7,077,000)

Total Market Value of Securities Before Securities Lending Collateral - 128.96%
(cost \$171,555,664)

Securities Lending Collateral** - 15.71%

Short-Term Investments
Fixed Rate Notes - 2.71%
Citigroup Global Markets 5.32% 9/1/06

~ Variable Rate Notes - 13.00%
American Honda Finance 5.32% 2/21/07

ANZ National 5.39% 10/1/07
Australia New Zealand 5.32% 10/1/07
Bank of America 5.32% 2/23/07

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

Bank of New York 5.36% 10/1/07
Barclays New York 5.31% 5/18/07
Bayerische Landesbank 5.38% 10/1/06
Bear Stearns 5.47% 2/28/07
BNP Paribas 5.36% 10/1/07
Canadian Imperial Bank
5.30% 10/1/07
5.32% 11/22/06
CDC Financial Products 5.41% 10/2/06
Citigroup Global Markets 5.38% 9/7/06
Commonwealth Bank 5.33% 10/1/07
Deutsche Bank 5.34% 2/23/07
Goldman Sachs 5.45% 8/31/07
Manufacturers & Traders 5.31% 9/26/06
Marshall & Ilsley Bank 5.31% 10/1/07
Merrill Lynch Mortgage Capital 5.41% 9/5/06
National Australia Bank 5.38% 3/7/07
National City Bank 5.32% 3/2/07
National Rural Utilities 5.39% 10/1/07
Nordea Bank New York 5.31% 5/16/07
Nordea Bank Norge 5.34% 10/1/07
Royal Bank of Scotland 5.32% 10/1/07
Societe Generale 5.36% 10/1/07
Wells Fargo 5.34% 10/1/07

Total Securities Lending Collateral (cost \$22,962,217)

Total Market Value of Securities - 144.67%
(cost \$194,517,881)

Obligation to Return Securities Lending Collateral - (15.71%)**

Commercial Paper Payable - (29.94%)
(par \$44,000,000)

Receivables and Other Assets Net of Liabilities (See Notes) - 0.98%

Net Assets Applicable to 11,009,236 Shares Outstanding - 100.00%

= Security is being fair valued in accordance with the Fund's fair valuation policy. At August 31, 2006, fair valued securities equaled \$5,107, which represented 0.00% of the Fund's net assets. See Note 5 in "Notes."

@ Illiquid security. At August 31, 2006, the aggregate amount of illiquid securities equaled \$1,300,000, which represented 0.01% of the Fund's net assets. See Note 5 in "Notes."

II Restricted Security. Investment in a security not registered under the Securities Act of 1933, certain restrictions on resale which may limit its liquidity. At August 31, 2006, the aggregate amount of restricted securities equaled \$998,354 or 0.68% of the Fund's net assets. See Note 5 in "Notes."

~ Variable rate security. The interest rate shown is the rate as of August 31, 2006.

^ Zero coupon security. The interest rate shown is the yield at the time of purchase.

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

; Step coupon bond. Coupon increases/decreases periodically based on a predetermined schedule. St August 31, 2006.

{ Step coupon bond. Indicates security that has a zero coupon that remains in effect until a pred stated interest rate becomes effective.

+ Non-income producing security for the period ended August 31, 2006.

++ Non-income producing security. Security is currently in default.

} Security is currently in default. The issue has missed the maturity date. Bankruptcy proceeding distribution of assets. The date listed is the estimate of when proceedings will be finalized.

Security exempt from registration under Rule 144A of the Securities Act of 1933, as amended. At amount of Rule 144A securities equaled \$17,620,932, which represented 12.06% of the Fund's net as

* Fully or partially on loan.

** See Note 4 in "Notes."

! Includes \$22,041,998 of securities loaned.

Summary of Abbreviations

ADR - American Depositary Receipts
REIT - Real Estate Investment Trust
PIK - Pay-in-kind

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. 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,

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

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.

On July 13, 2006, the Financial Accounting Standards Board (FASB) released FASB Interpretation No. 48 "Accounting for Uncertainty in Income Taxes" (FIN 48). FIN 48 provides guidance for how uncertain tax positions should be recognized, measured, presented, and disclosed in the financial statements. FIN 48 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Fund's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the current year. Adoption of FIN 48 is required for fiscal years beginning after December 15, 2006 and is to be applied to all open tax years as of the effective date. Although the Fund's tax positions are currently being evaluated, management does not expect the adoption of FIN 48 to have a material impact on the Fund's 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 3).

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

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

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.

2. Investments

At August 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 August 31, 2006, the cost of investments and unrealized appreciation (depreciation) for the Fund was as follows:

Cost of investments	\$194,803,312
	<hr/>
Aggregate unrealized appreciation	20,424,932
Aggregate unrealized depreciation	(3,759,895)
	<hr/>
Net unrealized appreciation	\$ 16,665,037
	<hr/>

3. Commercial Paper

As of August 31, 2006, \$44,000,000 (par value) of commercial paper was outstanding with an amortized cost of \$43,768,727. The weighted average discount rate of commercial paper outstanding at August 31, 2006, was 5.26%. The average daily balance of commercial paper outstanding during the period ended August 31, 2006 was \$46,690,701 at a weighted discount rate of 4.59%. The maximum amount of commercial paper outstanding at any time during the period was \$48,000,000. On June 22, 2006, the Fund reduced the commercial paper outstanding to \$44,000,000 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. During the period ended August 31, 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. government 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

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

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 August 31, 2006, the market value of the securities on loan was \$22,041,998, 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 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 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 identified on the Schedule of Investments.

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 August 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.

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 Commission.

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

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: